

22 September 2021

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

**Interim Results for the six months ended 30 June 2021**

Warpaint London plc (AIM: W7L), the specialist supplier of colour cosmetics and owner of the W7 and Technic brands is pleased to announce its unaudited interim results for the six months ended 30 June 2021.

**Financial Highlights**

- Strong growth in sales, profitability and cash generation during the period reflecting the focus on growing sales of the Group's branded products
- Group sales increased by 36% to £18.4 million in H1 2021 (H1 2020: £13.5 million, H1 2019: £18.9 million)
  - UK revenue increased by 31% to £8.9 million (H1 2020: £6.8 million, 2019: £7.8 million)
  - International revenue increased by 41% to £9.5 million (H1 2020: £6.7 million, 2019: £11.1 million)
- Gross profit margin of 34.5% (H1 2020: 35.1%, H1 2019: 34.9%), against the backdrop of supply side price inflation and significant increases in freight costs
- Adjusted EBITDA of £2.1\* million (30 June 2020: £0.4\* million, 30 June 2019: £2.1\* million)
- Adjusted profit from operations of £1.6\*\* million (H1 2020: £0.4\*\* million, H1 2019: £1.3\*\* million). Statutory profit from operations of £0.3 million (H1 2020 loss of £1.4 million, H1 2019 loss of £0.1 million)
- Cash generated from operating activities of £2.8 million (H1 2020: £2.3 million, H1 2019: 1.3 million)
- Cash of £6.7 million at 30 June 2021 (30 June 2020: £3.8 million, 30 June 2019 £3.7 million)
- The Company is now debt free with the remaining loans and HP contracts totaling £0.3 million having been repaid in full in April 2021
- The board has declared an increased interim dividend of 2.5p per share (2020 interim dividend 1.5p per share\*\*\*)
- The Group's financial performance is expected to continue to be second half weighted

Comparatives have been included for both the prior year period and H1 2019, a period not impacted by the Covid-19 pandemic.

\* Adjusted for foreign exchange movements, share based payments and exceptional items.

\*\* Adjusted for exceptional costs of which there were £5,000 in the period (H1 2020: £0.2 million, H1 2019 nil), £1.2 million of amortisation of intangible assets (H1 2020: £1.2 million, H1 2019 £1.2 million), and share based payments of £0.1 million (H1 2020: £0.3 million, H1 2019 £0.1 million). Adjusted numbers are close to the underlying cash flow performance of the business which is regularly monitored and measured by management.

\*\*\* The 2020 interim dividend declared comprised an interim dividend of 1.5p per share plus a one off additional 1.3p per share to reflect that no final dividend was declared for 2019

**Operational Highlights**

- Further expansion in the number of Tesco stores stocking the Group's products and the stocking of additional W7 product lines. W7 branded products now sold in over 1,300 Tesco stores in the UK, up from 56 in June 2020
- Further product expansion in the US with W7 products now being stocked in over 1,000 Five

#### Below stores

- As at 30 June 2021 the Group had a significant Christmas order book for the Group's brands of £8.7 million (30 June 2020: £7.7 million), with further Christmas orders taken post period end and additional white label Christmas orders
- Online sales continue to accelerate in the UK and the US, with an increase of 115% in e-commerce sales in H1 2021 compared to H1 2020
- The Group's expansion strategy continues with active discussions being held with additional major retailers in the UK and overseas

#### Post-Period End Highlights

- Agreement with Boots to stock a range of approximately 80 W7 products in an initial 84 stores from February 2022
- Further expansion of online sales presence with the launch in China of official W7 brand stores owned by the Group on Taobao Mall (Tmall), the most visited B2C online retail platform in China and Xiaohongshu (Red), one of China's foremost social media, fashion and luxury shopping platforms
- For the eight months to 31 August 2021 the Company had unaudited sales of £27.0 million (8 months to 31 August 2020: £22.8 million, 8 months to 31 August 2019: £27.7 million)

**Commenting, Sam Bazini Chief Executive, said:** "Following a difficult 2020 for everyone, it is pleasing to report a significantly improved performance from Warpaint in the first half of 2021. Prior to the impact of Covid-19 the business was trading well. Despite the continued effect of the pandemic, with lockdowns in many parts of the world, including the UK, for much of the first half, we have seen a return to the level of Group sales achieved in the first half of 2019, a period before the pandemic hit.

"We have seen particularly strong growth in the UK, with sales increasing beyond the level achieved in the first half of 2019, aided by the growing sales of our W7 brand through Tesco and of our Technic and Body Collection brands through Wilko. In June 2020 W7 was being sold in 56 Tesco stores, today it is in over 1,300, with a further expansion of the W7 range in Tesco planned for later this year. In addition, W7 products will be launched in Boots early in 2022. There has also been a much improved performance in the US, strong growth elsewhere internationally and a rapid increase in online sales.

"Warpaint is a global business with the capacity, expertise and strategy, coupled with balance sheet strength, to drive future growth. We are working in partnership with our existing retailers to grow sales further and are in active discussions with additional major retailers in the UK and overseas. We have significant opportunities for further growth and I look forward to the remainder of the year and into 2022 with confidence."

#### Investor Webinar

Warpaint's management will be hosting an online presentation and Q&A session at 5.30 p.m. BST today, Wednesday 22 September 2021. This session is open to all existing and prospective shareholders. Those who wish to attend should register via the link below and they will be provided with access details:

[https://us02web.zoom.us/webinar/register/WN\\_lh7Ytv7ASkuDJClO9rrqSQ](https://us02web.zoom.us/webinar/register/WN_lh7Ytv7ASkuDJClO9rrqSQ)

Participants will have the opportunity to submit questions during the session, but questions are welcomed in advance and may be submitted to: [warpaint@investor-focus.co.uk](mailto:warpaint@investor-focus.co.uk).

#### Enquiries:

**Warpaint London**

c/o IFC

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**Warpaint London plc**

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

**Chief Executive's Review**

The first half of 2021 was a period of strong growth for the Group as most of Warpaint's markets emerged from the worst of the Covid-19 pandemic and certain strategic initiatives started to bear fruit. However, continuing issues relating to the pandemic were seen in a number of markets, with lockdowns remaining and a number of operational challenges being faced, particularly with regard to supply side price inflation, and freight availability and cost.

Against this background we are very pleased to have achieved Group sales broadly in line with those of H1 2019, a period not impacted by the Covid-19 pandemic, with significant growth in the UK and strong cash generation.

In the first half of 2021 sales of our branded colour cosmetics accounted for 88% of revenue (H1 2020: 82%) as we continued to reduce the focus on close-out. Our strategy of producing a wide range of high quality cosmetics at an affordable price remains our key focus, growing sales through our existing customers' outlets and winning new customers with significant sales footprints, both in the UK and internationally, together with continuing to grow our online sales.

**W7**

The Group's lead brand remains W7, with sales in H1 2021 accounting for 57% of total Group revenue (H2 2020: 50%). In the UK, W7 revenues were up 54% in H1 2021 compared to H1 2020. W7 revenues were also up 34% in the UK in H1 2021 compared to H1 2019, a period not impacted by the Covid-19 pandemic. The growth in W7 UK sales has been assisted by the roll out into Tesco, together with a growth in sales from the Group's other larger customers in the UK. In June 2020 the Group's W7 products were in 56 Tesco stores, today they are in over 1,300 across the various store formats, with a planned further expansion of the W7 full cosmetic displays in Tesco, together with an increased online presence.

Additionally, we are pleased to announce that we have reached agreement with Boots to stock a range of approximately 80 W7 products in an initial 84 stores from February 2022.

Internationally W7 sales were up on H1 2020 in all of the Group's reported regions. In Europe sales increased by 27% compared to H1 2020, in the US sales increased by 94% compared to H1 2020, and in the rest of the world sales increased by 124% compared to H1 2020.

### **Technic**

Since the acquisition of Retra Holdings Limited ("Retra") and its Technic brand in November 2017, we have continued to focus on improving the sales of all year round cosmetics sold under the Technic brand, and to ensure the Retra business is profitable throughout the whole year, not only in the second half when Christmas gifting is delivered.

Sales of Technic in H1 2021 were 31% of total Group revenue (H1 2020: 30%). In H1 2021, UK revenues of Technic were up 33% on H1 2020, returning to similar a similar level seen in H1 2019, aided by the growing sales of Technic and Body Collection branded products in wilko.

Sales increased in Europe by 34% compared to H1 2020 and in the rest of the world sales also increased by 94% compared to H1 2020. In the US, sales increased by 2% compared to H1 2020, albeit that US sales remained small in the context of the Group as a whole.

The Retra business also produces and sells own brand white label cosmetics for several major high street retailers, with such sales being 1% of Group revenue (H1 2020: 2%).

### **Close-out**

In line with the strategy to reduce the focus on close-out sales, particularly in the US, the close-out division was a reduced proportion of Group sales in the first half of 2021, representing 11% of the overall revenue of the Group (H1 2020: 18%). Whilst not a core focus, this side of the business continues to provide a significant and profitable source of intelligence in the colour cosmetics market and access to new market trends. We will continue to take advantage of profitable close-out opportunities as they become available.

### **e-Commerce**

In addition to growing sales through the W7 and Technic brands' own bespoke e-commerce sites, focus has continued on growing sales of our brands in the UK and the US on Amazon, which has helped further accelerate our online sales. In H1 2021 online sales were £0.44 million (H1 2020: £0.20 million), an increase of 115%.

Further expansion of the Group's online sales presence has been implemented post period end with the launch of official W7 brand stores owned by the Group on Taobao Mall (Tmall), the most visited B2C online retail platform in China and Xiaohongshu (Red), one of China's foremost social media, fashion and luxury shopping platforms.

## **Brands**

As previously announced, in 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 concentrate on its core W7, Technic, Body Collection, Man'stuff, Chit Chat and Very Vegan brands during the period with an improved focus. The development of Body Collection as a key brand continues, with a view to unlocking the untapped potential it has, given it is currently sold in only one UK retailer. Discussions are ongoing with further retailers with a view to them stocking Body Collection and we anticipate rolling out the brand through additional outlets in due course.

## **Customers & Geographies**

The largest markets for sales of our Group brands are in the UK, Australia and Europe. In H1 2021 our top ten customers represented 55% of revenues (H1 2020: 50%). Group sales are now made in 45 countries.

### **UK**

Group sales in the UK were up by 31% in H1 2021 compared to H1 2020, led by the growth in sales of our lead brand W7, which increased by 54%. Group sales in H1 2021 in the UK were also 19% higher than the level achieved in H1 2019, despite continued lockdowns in the UK for much of the period.

The top ten UK Group customers accounted for 74% of UK sales in H1 2021 (H1 2020: 66%). Particularly strong growth was seen during the first half with B&M Retail (up 34%), The Range (up 270%) and Tesco (up 353%).

As of 30 June 2021, the Group had an order book for Christmas gifting for the Group's brands of £8.7 million already secured (30 June 2020: £7.7 million), which will be delivered during H2 2021. This will be a significant driver of revenues being weighted to the second half of the year, with most of it being in the UK. We have continued to take further significant orders post the period end as the market continues to recover and customers regain further confidence.

### **Europe**

Prior to the onset of the Covid-19 pandemic in March 2020, Continental Europe was for some time an area of excellent growth for the Group. Following significantly reduced demand caused by country wide lockdowns in 2020, the gradual opening up in H1 2021 boosted Group sales in Europe by 28% compared to the same period in 2020. Sales for the Group's brands into Europe are mainly to France, Denmark, Spain and Sweden and during the period strong growth was seen particularly in sales to customers in Scandinavia.

### **US**

Sales in US dollars in H1 2021 were up 58% to US\$1.7 million (H1 2020: US\$1.1 million), aided by the new relationship with store group Five Below. Following a successful trial with Five Below, W7 products are now being stocked in over 1,000 of their stores in the US. A good performance was also seen from the Group's other major customers in the US, including Macys Backstage, Marshalls, and TJ Maxx.

Additionally, we completed a trial launch of W7 products in 50 Francesca's stores in the US during the first half, where sales exceeded management expectations. We expect to continue to roll out product across a significant portion of their 444 store estate during the remainder of the year.

The focus in the US is to increase the sales of the Group's brands as the emphasis on close-out in our business reduces. In the US 79% of sales in H1 2021 were from the sale of the Group's brands. Additionally, we continue to focus on growing our US online sales via Amazon FBA.

### **Rest of the World**

Sales in the rest of the world for the Group in the period were up by 119% to £1.7 million, compared to the corresponding period last year. In Australia, which is a key country for Warpaint in the rest of the world region, sales increased by 211% in H1 2021 to £1.4 million. Since the easing of the Covid-19 lockdowns in the rest of the world region we have seen a steady sales recovery for our brands, though sales in some countries remain constrained and volatile as further lockdowns are imposed.

### **Dividend**

In accordance with the Group's policy to continue to pay appropriate dividends, the board is pleased to declare an increased interim dividend of 2.5p per share (2020 interim dividend 1.5p per share plus a one off additional 1.3p per share to reflect that no final dividend was declared for 2019) which will be paid on 26 November 2021 to shareholders on the register at 12 November 2021. The shares will go ex-dividend on 11 November 2021.

### **Board and People**

The pandemic has dramatically impacted the personal and working lives of everyone and continues to do so. At Warpaint we quickly made the required changes to working practices and have continued to adapt and modify these as appropriate. I am delighted with the way in which everyone has met these challenges and I would like to offer my thanks in particular to the Group's employees for their exceptional efforts.

Post period end we were pleased to announce the appointment of John Collier as an independent non-executive director of the Company with effect from 1 September 2021. John is a Canadian national, based in New York, USA, who has spent nearly 30 years in the consumer goods industry, primarily at Revlon, the multinational cosmetics, skin care, fragrance, and personal care company. He brings with him a wealth of experience in the cosmetics sector that will be particularly beneficial as we seek to grow our North American business.

### **Summary and Outlook**

The first half of 2021 has seen a strong performance, with a significant recovery across the Group, following a difficult 2020 for everyone. Prior to the impact of Covid-19 the business was trading well. Despite the continued impact of the pandemic, with lockdowns in many parts of the world, including the UK, for much of the first half, we have seen a return to the level of Group sales achieved in the first half of 2019, a period before the pandemic hit.

We have seen particularly strong growth in the UK, with sales increasing beyond the level achieved in the first half of 2019, aided by the growing sales of our W7 brand through Tesco and of our Technic and Body Collection brands through wilko, with a further expansion of the W7 range in Tesco planned for later this year. Additionally, the planned launch of W7 into Boots provides a further significant opportunity. We have also seen a much improved performance in the US, strong growth elsewhere internationally and are seeing a rapid increase in online sales.

Warpaint is a global business with the capacity, expertise and strategy, coupled with balance sheet strength, to drive future growth. We are working in partnership with our existing retailers to grow sales further and are in active discussions with additional major retailers in the UK and overseas.

I anticipate updating further on our progress later in the year and with significant opportunities for further growth I look forward to the future with confidence.

**Sam Bazini**  
**Chief Executive Officer**  
22 September 2021

### **Chief Financial Officer's Review**

In 2020 results were adversely impacted by the Covid-19 pandemic, however the first half of 2021 has seen the Group achieve results ahead of the first half of 2020 and in line with the first half of 2019. The Group continues its strategy of building the W7 and Technic brands in the UK and internationally, and we remain focused on margin, being debt free, 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 half years ended 30 June 2021 and 30 June 2020.

#### **Revenue**

Total revenue increased by 36% from £13.5 million in H1 2020 to £18.4 million in H1 2021 (H1 2019: £18.9 million).

Company branded sales were £16.1 million in the first half of the year (H1 2020: £10.5 million, H1 2019: £15.2 million). Our W7 brand had sales in the first half of the year of £10.5 million (H1 2020: £6.6 million, H1 2019: £10.3 million). Our Technic brand contributed sales of £5.5 million in the first half of the year (H1 2020: £3.9 million, H1 2019: £4.9 million).

The close-out business had sales in the first half of the year of £2.1 million (H1 2020: £2.4 million, H1 2019: £3.3 million).

Our Retra subsidiary business had sales of retailer own brand white label cosmetics of £0.2 million in the first half of the year (H1 2020: £0.3 million, H1 2019: £0.4 million). The white label business is traditionally cost competitive and Retra chooses which projects to undertake based on commercial viability, in particular margin.

In the UK sales increased by 31% to £8.9 million (H1 2020: £6.8 million, H1 2019: £7.8 million). Internationally, revenue increased 41% from £6.7 million in H1 2020, to £9.5 million in H1 2021 (H1 2019: £11.2 million). In Europe Group sales increased by 28% to £6.5 million (H1 2020: £5.1 million, H1 2019: £7.8 million). In the rest of the world Group sales increased by 116% to £1.7 million (H1 2020: £0.8 million, H1 2019: £1.2 million). In the US Group sales increased by 45% to £1.2 million (H1 2020: £0.8 million, H1 2019: £2.2 million).

#### **Product Gross Margin**

Gross margin was 34.5% for the half year compared to 35.1% in H1 2020 (H1 2019: 34.9%). Since the start of 2021 we have noticed slight price increases in US dollars coming from our supply base in China and container freight rates have increased dramatically, both these cost increases have been partly offset by a

weakening dollar compared to 2020. We also noticed an increase in outbound freight costs to deliver goods to our European customers. Gross margin has decreased slightly because of these cost increases.

We remain focused on improving gross margin where possible in all our businesses and are making good use of our Hong Kong buying office to ensure this happens. To counter currency pressure, we continue to move production to new factories of equal quality to retain or improve margin and have a natural hedge from our US dollar revenue.

At 31 December 2020 options were in place for the purchase of US\$18 million at US\$1.3260/£ (31 December 2019: US\$15 million at US\$1.3142/£), this has helped to protect our margin in the turbulent foreign exchange markets. Since the start of this year we have purchased more forward options as the dollar continued to weaken to protect our gross margin through to the end of 2021 and the start of 2022.

### **Operating Expenses**

Total operating expenses decreased by £0.1 million from H1 2020 to H1 2021. Excluding amortisation of intangibles, depreciation charges, exceptional items, share based payments, foreign exchange movements, and finance costs operating expenses decreased by £0.1 million from H1 2020 to H1 2021. This decrease was made up of a reduction in spend on travel, PR and marketing totalling £0.1 million, an increase in wages and salaries of £0.2 million, and a decrease in the provision for bad debts of £0.2 million.

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

### **Adjusted EBITDA**

The board considers Adjusted EBITDA (adjusted for foreign exchange movements, share based payments and exceptional items) a key measure of the performance of the Group and one that is more closely aligned to the success of the business. Adjusted EBITDA for the half year to 30 June 2021 was £2.1 million (30 June 2020: £0.4 million, 30 June 2019: £2.1 million).

### **Profit Before Tax**

Group profit before tax for the half year to 30 June 2021 was £0.2 million (H1 2020: £1.5 million loss, H1 2019: £0.2 million loss). The material changes in profitability between 30 June 2020 and 2021 were:

	<b>Effect on Profit</b>
• Gross margin on increase in sales in H1 2021	£1.6 million
• Decrease in operating expenses (see above heading)	£0.1 million
• FX gain in H1 2021 £0.16 million (H1 2020: £0.64 million)	(£0.5) million
• Decrease in the cost of share option schemes	£0.3 million
• Decrease in exceptional costs	£0.2 million

### **Exceptional Items**

Exceptional costs in H1 2021 included £0.005 million of legal costs (H1 2020 included £0.13 million of staff restructuring costs and £0.06 million of legal costs).

### **Earnings Per Share**



The statutory interim basic and diluted profit per share was 0.18p in H1 2021 (1.68p loss in H1 2020, 0.22p loss in H1 2019).

The adjusted interim earnings per share before exceptional items and amortisation costs was 1.80p in H1 2021 (0.16p in H1 2020, 1.37p in H1 2019).

### **LTIP, EMI & CSOP Share Options**

On 25 May 2021 CSOP share options were granted over a total of 400,000 ordinary shares of 25p each in the Company under the Warpaint London PLC Company Share Option Plan and the Warpaint London plc Enterprise Management Incentive Scheme. The options provide the right to acquire 400,000 ordinary shares at an exercise price of 122.0p 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 half year to 30 June 2021 was £0.07 million (H1 2020: £0.33 million) and has been taken to the share option reserve.

### **Cash Flow and Cash Position**

Net cash flow generated from operating activities was £2.8 million compared to £2.3 million in H1 2020 (£1.3 million H1 2019). The Group's cash balance increased by £2.9 million to £6.7 million as at 30 June 2021 (30 June 2020: £3.8 million, 30 June 2019: £3.7 million).

We expect capital expenditure requirements of the Group to remain low, however as part of our strategy to grow market share in the UK and US there will be occasions where investment in store furniture is required to secure that business. In H1 2021, £0.1 million (H1 2020: £0.5 million, H1 2019: £0.2 million) was spent on store furniture, on new computer software and equipment, and other general office fixtures and fittings and plant upgrades.

### **Balance Sheet**

The Group's balance sheet remains in a very healthy position. Net assets totalled £35.3 million at 30 June 2021, with the majority made up of liquid assets of inventory, trade receivables and cash. Included in the balance sheet is £7.3 million of goodwill and £3.4 million of intangible fixed assets arising from acquisition accounting.

The balance sheet also includes £3.2 million of right-of-use assets, this is the inclusion of the Group leasehold properties, now recognised as right-of-use assets as directed by IFRS 16. An equivalent lease liability is included of £3.3 million at the balance sheet date.

Trade receivables, excluding other receivables, at 30 June 2021 were £6.2 million (30 June 2020: £5.6 million, 30 June 2019: £7.6 million). Collection times have improved on the prior half year and H1 2019, allowing for a reduction in the provision for bad and doubtful debts carried forward to £0.06 million/1.0% of gross trade receivables (30 June 2020: £0.26 million/4.4%, 30 June 2019: £0.03 million/0.4%).

Inventories at 30 June 2021 were £16.7 million (30 June 2020: £18.9 million and 30 June 2019: £18.7 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 US to focus on our best-selling brand lines. The provision for old and slow inventory was £0.7 million/4.2% at 30 June 2021 (30 June 2020: £0.5 million/2.7%, 30 June 2019: £0.2 million/0.9%). The increase in provision arises from the Group's policy of providing for 50% of the cost of perishable items that are over two years old.

However, we remain comforted by the fact that, in reality, many such items are eventually sold in the normal course of business through our close-out division without a loss to the Group.

Included within borrowings and lease liabilities is an invoice and stock finance facility used to help fund imports in our gifting business, and term loans and HP contracts. At 30 June 2021 the outstanding balance on the invoice and stock finance facility was £nil (30 June 2020: £1.0 million, 30 June 2019: £1.0 million). At 30 June 2021 the outstanding balance on the term loans and HP contracts was £nil, having been repaid early in full in April 2021 (30 June 2020: £0.4 million, 30 June 2019: £0.7 million).

Working capital decreased by £2.5 million from 30 June 2020 to 30 June 2021. The main components were a decrease in inventory of £2.2 million, a decrease in trade and other receivables of £1.0 million, an increase in cash of £2.9 million, and an increase in trade and other payables of £2.2 million.

### **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 2021 with options in place for the purchase of US\$18 million at US\$1.3260, and the sale of €5.1 million @ €1.1077 (1 January 2020: US\$15 million @ US\$1.3142/£, and €4.4 million @ €1.1402/£; 1 January 2019: US\$nil, and €1.1 million @ €1.1289/£).

We have a natural hedge from sales to the US which are entirely in US dollars, in H1 2021 these sales were US\$1.7 million (H1 2020: US\$1.1 million, H1 2019: US\$2.8 million). Together with sourcing product from new factories where it makes commercial sense to do so and by buying US dollars when rates are favourable, we are able to mitigate the effect of a strong US dollar against sterling.

### **Dividend**

The board is pleased to have declared an interim dividend of 2.5p per share which will be paid on 26 November 2021 to shareholders on the register at 12 November 2021. The shares will go ex-dividend on 11 November 2021.

**Neil Rodol**  
**Chief Financial Officer**  
22 September 2021

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	<i>Unaudited</i> 6 Months ended 30 June 2021 £'000	<i>Unaudited</i> 6 Months ended 30 June 2020 £'000	<i>Audited</i> Year ended 31 December 2020 £'000
<b>Revenue</b>		18,417	13,531	40,286
Cost of sales		(12,064)	(8,780)	(27,742)
<b>Gross profit</b>		<b>6,353</b>	<b>4,751</b>	<b>12,544</b>
Administrative expenses	3	(6,039)	(6,120)	(13,807)
Other operating income		-	-	361
<b>Analysed as:</b>				
Adjusted profit from operations <sup>1</sup>		1,588	380	2,514
Amortisation		(1,204)	(1,221)	(2,443)
Exceptional items	3	(5)	(193)	(317)
Share based payments		(65)	(335)	(656)
<b>Profit/(loss) from operations</b>		<b>314</b>	<b>(1,369)</b>	<b>(902)</b>
Finance expenses	4	(148)	(107)	(212)
<b>Profit/(loss) before tax</b>	3	<b>166</b>	<b>(1,476)</b>	<b>(1,114)</b>
Tax expense	5	(31)	189	111
<b>Profit/(loss) for the period attributable to equity holders of the parent company</b>		<b>135</b>	<b>(1,287)</b>	<b>(1,003)</b>
Other comprehensive income (net of tax):				
Exchange gain on translation of foreign subsidiary		14	(4)	53
<b>Total comprehensive income/(loss) for the period attributable to equity holders of the parent company</b>		<b>149</b>	<b>(1,291)</b>	<b>(950)</b>
<b>Earnings/(loss) per share – Basic and diluted</b>		<b>0.18</b>	<b>(1.68)</b>	<b>(1.31)</b>

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

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Unaudited</i> As at 30 June 2021	<i>Unaudited</i> As at 30 June 2020	<i>Audited</i> As at 31 December 2020
	£'000	£'000	£'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	7,274	7,274	7,274
Intangible assets	3,434	5,871	4,651
Property, plant and equipment	1,198	1,006	1,149
Right-of-use assets	3,205	4,197	3,799
Deferred tax assets	569	396	581
	<b>15,680</b>	<b>18,744</b>	<b>17,454</b>
<b>Current assets</b>			
Inventories	16,687	18,853	14,413
Trade and other receivables	7,898	8,895	9,187
Cash and cash equivalents	6,723	3,819	4,875
Derivative financial instruments	41	251	40
	<b>31,349</b>	<b>31,818</b>	<b>28,515</b>
<b>Total assets</b>	<b>47,029</b>	<b>50,562</b>	<b>45,969</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	7,244	4,957	3,121
Borrowings and lease liabilities	625	1,989	914
Derivative financial instruments	-	-	400
Corporation tax payable	413	255	119
	<b>8,282</b>	<b>7,201</b>	<b>4,554</b>
<b>Non-current liabilities</b>			
Borrowings and lease liabilities	2,695	3,409	3,045
Deferred tax liabilities	771	1,095	1,000
	<b>3,466</b>	<b>4,504</b>	<b>4,045</b>
<b>Total liabilities</b>	<b>11,748</b>	<b>11,705</b>	<b>8,599</b>
<b>NET ASSETS</b>	<b>35,281</b>	<b>38,857</b>	<b>37,370</b>
<b>EQUITY</b>			
Share capital	19,187	19,187	19,187
Share premium	19,359	19,359	19,359
Merger reserve	(16,100)	(16,100)	(16,100)
Foreign exchange reserve	103	32	89
Share option reserve	1,698	1,312	1,633
Retained earnings	11,034	15,067	13,202
<b>Total equity attributable to shareholders</b>	<b>35,281</b>	<b>38,857</b>	<b>37,370</b>

## CONSOLIDATED STATEMENT OF CASH FLOW

Notes	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>
	6 Months ended 30 June 2021	6 Months ended 30 June 2020	Year ended 31 December 2020
	£'000	£'000	£'000
Profit/(loss) before tax for the period	166	(1,476)	(1,114)
<b>Adjusted by:</b>			
Interest paid	4	107	212
Depreciation of property, plant and equipment	683	628	1,252
Amortisation of intangible assets	1,204	1,221	2,443
Net interest expense			
Loss on disposal of property, plant and equipment and intangible assets	-	-	2
Share based payment	65	335	656
Movement in inventories	(2,274)	(2,659)	3,437
Movement in trade and other receivables	1,290	3,729	1,781
Movement in trade and other payables	2,174	1,002	(812)
Movement in derivative financial instruments	(401)	(212)	399
Foreign exchange translation differences	15	(4)	53
<b>Cash inflow generated from operations</b>	<b>3,070</b>	<b>2,671</b>	<b>8,309</b>
Income tax paid	(310)	(333)	(853)
<b>Cash flows from operating activities</b>	<b>2,760</b>	<b>2,338</b>	<b>7,456</b>
Purchase of property, plant and equipment	(122)	(462)	(869)
Purchase of intangible assets	(3)	(10)	(12)
Sale of property, plant and equipment proceeds	-	-	21
<b>Cash flows used by investing activities</b>	<b>(125)</b>	<b>(472)</b>	<b>(860)</b>
Principal elements of lease payments	(591)	(424)	(810)
Repayment of borrowings	(48)	(45)	(90)
Decrease in stock and invoice finance facilities	-	(202)	(1,191)
Interest paid	(148)	(107)	(212)
Dividends	-	-	(2,149)
<b>Cash flows used by financing activities</b>	<b>(787)</b>	<b>(778)</b>	<b>(4,452)</b>
Net change in cash and cash equivalents	1,848	1,088	2,144
Cash and cash equivalents at beginning of period	4,875	2,731	2,731
<b>Cash and cash equivalents at end of period</b>	<b>6,723</b>	<b>3,819</b>	<b>4,875</b>
<b>Cash and cash equivalents consists of:</b>			
Cash and cash equivalents	6,723	3,819	4,875
	<b>6,723</b>	<b>3,819</b>	<b>4,875</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share Premium	Merger reserve	Foreign exchange reserve	Share option reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
As at 1 January 2020	19,187	19,359	(16,100)	36	977	16,354	39,813
On translation of foreign subsidiary	-	-	-	(4)	-	-	(4)
Loss for the period	-	-	-	-	-	(1,287)	(1,287)
<b>Total comprehensive income for the period</b>	-	-	-	<b>(4)</b>	-	<b>(1,287)</b>	<b>(1,291)</b>
<b>Transactions with owners</b>							
Share based payments	-	-	-	-	335	-	335
<b>Total transactions with owners</b>	-	-	-	-	<b>335</b>	-	<b>335</b>
<b>As at 30 June 2020</b>	<b>19,187</b>	<b>19,359</b>	<b>(16,100)</b>	<b>32</b>	<b>1,312</b>	<b>15,067</b>	<b>38,857</b>
As at 1 January 2020	19,187	19,359	(16,100)	36	977	16,354	39,813
On translation of foreign subsidiary	-	-	-	53	-	-	53
Loss for the year	-	-	-	-	-	(1,003)	(1,003)
<b>Total comprehensive income for the year</b>	-	-	-	<b>53</b>	-	<b>(1,003)</b>	<b>(950)</b>
<b>Transactions with owners</b>							
Share based payments	-	-	-	-	656	-	656
Dividends paid	-	-	-	-	-	(2,149)	(2,149)
<b>Total transactions with owners</b>	-	-	-	-	<b>656</b>	<b>(2,149)</b>	<b>(1,493)</b>
<b>As at 31 December 2020</b>	<b>19,187</b>	<b>19,359</b>	<b>(16,100)</b>	<b>89</b>	<b>1,633</b>	<b>13,202</b>	<b>37,370</b>
As at 1 January 2021	19,187	19,359	(16,100)	89	1,633	13,202	37,370
On translation of foreign subsidiary	-	-	-	14	-	-	14
Loss for the period	-	-	-	-	-	135	135
<b>Total comprehensive income for the period</b>	-	-	-	<b>14</b>	-	<b>135</b>	<b>149</b>
<b>Transactions with owners</b>							
Share based payments	-	-	-	-	65	-	65
Dividends paid	-	-	-	-	-	(2,303)	(2,303)
<b>Total transactions with owners</b>	-	-	-	-	<b>65</b>	<b>(2,303)</b>	<b>(2,238)</b>
<b>As at 30 June 2021</b>	<b>19,187</b>	<b>19,359</b>	<b>(16,100)</b>	<b>103</b>	<b>1,698</b>	<b>11,034</b>	<b>35,281</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Basis of preparation

The accounts have been prepared in accordance with accounting policies that are consistent with the Group's Annual Report and Accounts, the Group's Annual Report and Accounts for the year ended 31 December 2020 have been prepared in accordance with international accounting standards in compliance with the Companies Act of 2006 and Group's Annual Report and Accounts for the year ending 31 December 2021 will be prepared in accordance with the UK adopted international accounting standards.

The comparative financial information for the year ended 31 December 2020 in this interim report does not constitute statutory accounts for that period under 435 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2020 have been delivered to the Registrar of Companies.

The auditors' report on the accounts for 31 December 2020 was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

### 2. Changes in significant accounting policies

The accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2020.

### 3. Profit from operations

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

	<i>Unaudited</i> 6 Months ended 30 June 2021	<i>Unaudited</i> 6 Months ended 30 June 2020	<i>Audited</i> Year ended 31 December 2020
	£'000	£'000	£'000
Depreciation of property, plant and equipment	344	279	385
Amortisation of right-of-use assets	339	365	867
Amortisation of intangible assets	1,204	1,221	2,443
Write down inventories at net realisable value	167	291	312
Exchange differences	(163)	(641)	420
Exceptional costs	5	193	317

### 4. Finance expenses

	<i>Unaudited</i> 6 Months ended 30 June 2021	<i>Unaudited</i> 6 Months ended 30 June 2020	<i>Audited</i> Year ended 31 December 2020
	£'000	£'000	£'000
Interest on loans	64	10	18
Lease liability interest	43	87	143
Other interest	41	10	51
<b>Finance expenses</b>	<b>148</b>	<b>107</b>	<b>212</b>

### 5. Tax expenses

	<i>Unaudited</i> 6 Months ended 30 June 2021	<i>Unaudited</i> 6 Months ended 30 June 2020	<i>Audited</i> Year ended 31 December 2020
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	£'000	£'000	£'000
<b>Current tax expense</b>			
Current income tax charge	248	40	429
Adjustment in respect of previous periods	-	-	-
		40	429
<b>Deferred tax expense</b>			
Relating to original and reversal of temporary differences	(217)	(229)	(544)
<b>Total tax in income statement</b>	<b>31</b>	<b>(189)</b>	<b>(111)</b>

## 6. Earnings/(loss) per share

(Loss)/profit for the period used in the calculation of the basic and diluted earnings per share:

	<i>Unaudited</i> 6 Months ended 30 June 2021	<i>Unaudited</i> 6 Months ended 30 June 2020	<i>Audited</i> Year ended 31 December 2020
	£'000	£'000	£'000
Profit/(loss) after tax for the period	135	(1,287)	(1,003)

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

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

	<i>Unaudited</i> 6 Months ended 30 June 2021	<i>Unaudited</i> 6 Months ended 30 June 2020	<i>Audited</i> Year ended 31 December 2020
<b>Weighted average number of shares</b>			
Weighted number of ordinary shares for the purpose of basic earnings per share	76,749,999	76,749,125	76,749,125
Potentially dilutive shares awarded	251,863	-	67,040
Weighted number of ordinary shares for the purpose of diluted earnings per share	77,001,862	76,749,125	76,816,165
<b>Earnings/(loss) per share (pence) – Basic and Diluted</b>	<b>0.18</b>	<b>(1.68)</b>	<b>(1.31)</b>