20 September 2023

Warpaint London PLC

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

Interim Results for the six months ended 30 June 2023

Record performance driven by significant growth in all regions

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 2023.

Financial Highlights

- Strong growth in sales during the period across all geographic regions, to achieve a record first half, reflecting the focus on growing sales of the Group's branded products
- Group sales increased by 46% to £36.7 million in H1 2023 (H1 2022: £25.2 million)
    - UK revenue increased by 28% to £13.3 million (H1 2022: £10.4 million)
    - International revenue increased by 58% to £23.4 million (H1 2022: £14.8 million)
- Gross profit margin increased to 39.1% (H1 2022: 39.0%), due to successful management of continued supply side inflation
- Adjusted EBITDA of £7.9 million (H1 2022: £4.4 million)*
- Statutory profit from operations of £6.3 million (H1 2022: £3.5 million)
- Cash of £7.1 million as at 30 June 2023 (30 June 2022: £4.3 million) and no debt
- Statutory basic EPS was 6.22p (H1 2022: 3.54p)
- The board has declared an increased interim dividend of 3.0p per share (2022 interim dividend 2.6p per share)
- Consistent with previous years due to Christmas gifting orders and its momentum, the Group's sales are expected to again be second half weighted

* Adjusted for foreign exchange movements, share based payments and exceptional items. Adjusted numbers are close to the underlying cash flow performance of the business which is regularly monitored and measured by management.

Operational Highlights

- Significant growth in all geographic areas: sales in the UK increased 28%, Europe by 56%, the US by 83% and the rest of the world by 53% in H1 2023, compared to H1 2022.
- W7 brand sales increased by 67% and Technic brand sales increased by 37% in H1 2023, compared to H1 2022
- A range of 158 Technic products have launched in an initial four Asda superstores on a trial basis ahead of Asda's cosmetic range review undertaken in Q4 2023
- Significant further expansion in the US with H-E-B stores, CVS BIRL stores, where initial sales have been ahead of expectations, as well as launching in Sallys and Nordstrom Rack
- Online sales continue to accelerate in the UK, EU, China and the US, increasing by 212% to £2.0 million in H1 2023, compared to H1 2022

Post-Period End Highlights

- Continued positive business momentum post period end, with unaudited Group sales for the eight months to 31 August 2023 of £54.5 million (8 months to 31 August 2022: £37.5 million)

- After an initial trial of W7 products in 20 New Look stores, the Group is now rolling out W7 product to a further 200 New Look stores in the UK during 2023
- The W7 brand has been launched in an initial 73 Superdrug stores in September 2023
- The Group's expansion strategy continues, with further planned launches in H2 2023 and 2024 with new major retailers and the expansion of the range of products stocked with certain existing customers, particularly in the UK and the US

Commenting, Sam Bazini Chief Executive, said:

"I am delighted with the Group's continuing strong performance in the first half of 2023, with a record level of sales and profits delivered. I believe the Group is very well positioned to achieve further growth and I remain confident that margins can be maintained going forward.

"Warpaint is a global business with the capacity, expertise and strategy, coupled with balance sheet strength, to drive future growth from both our existing and new customers. Whilst we continue to experience good growth in the UK, I am particularly pleased with the growth we are seeing in Europe and the US. As in previous years, the Group's sales are expected to remain second half weighted, reflecting Christmas seasonal sales as well as ongoing momentum.

"We look forward to updating further as the year progresses, and with significant opportunities for continued growth, both already secured with our existing retailers and in discussion with additional major retailers globally, I am confident that the Group will continue to perform well for the remainder of the year and beyond."

This announcement contains inside information for the purposes of Article 7 of Regulation (EU) No 596/2014 which is part of UK law by virtue of the European Union (Withdrawal) Act 2018

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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 Europe with a significant focus on the gifting market, principally for high street retailers and supermarkets. The Group also sells cosmetics using its other brand names of Man'stuff, Body Collection and Chit Chat.

CHIEF EXECUTIVE'S REVIEW

I am delighted to report that in H1 2023 the Group achieved a record level of first half sales and profits, reflecting the success of the Group's strategy of focusing on growing sales of its branded products globally. Over 95% of Group sales in the first half (H1 2022: 88%) were from the sale of the Group's branded products as we focused on our core W7, Technic, Body Collection, Man'stuff and Chit Chat brands. These brands encompass a wide range of high-quality cosmetics and toiletries at an affordable price, with each brand having its own unique offering.

In H1 2023, Group sales increased by 46% to £36.7 million (H1 2022: £25.2 million), at an increased gross margin of 39.1% (H1 2022: 39.0%), despite continued supply side inflation, and resulted in statutory profit from operations of £6.3 million (H1 2022: £3.5 million).

Our strategy remains to grow 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. In H1 2023, we saw significant growth in all our geographic regions with sales in the UK increasing by 28%, in Europe by 56%, in the US by 83% and in the rest of the world by 53%, compared to H1 2022. Direct online sales also continue to be an important growth area, with a 212% increase online sales in H1 2023 versus H1 2022, and they now represent over 5% of total Group sales.

The global cosmetics market continues to see customers transferring to more value orientated brands, such as those produced by the Group, and I believe we are very well placed with our high-quality focused offering to capture further market share and to continue to grow sales and profits. The Group is in active discussions with new major retailers globally and with certain existing customers regarding expansion of the range of the Group's products stocked.

W7

The Group's lead brand remains W7, with W7 sales in H1 2023 increasing by 67% to £24.2 million (H1 2022: £14.5 million), accounting for 66% of total Group revenue (H1 2022: 57%).

Strong growth was seen in all sales regions, with W7 sales in the UK increasing by 51% to represent 31% of W7 sales in the period (H1 2022: 34%), as even stronger growth was experienced in regions outside of the UK. W7 sales in the UK continue to see substantial growth and will be furthered following the launch of W7 products in an initial 73 Superdrug stores earlier this month, alongside growth with existing retailers, including Tesco, Boots and New Look.

W7 sales to Europe grew by 77% in H1 2023, to represent 54% of W7 sales in H1 2023(H1 2022: 51%). The sales growth in Europe was assisted by additional sales to existing customers, particularly as they expanded the size of their estates, and to new customers.

W7 sales in the US grew by 87% in H1 2023, to represent 8% of W7 sales, driven by growth with H-E-B stores and CVS BIRL stores, where initial sales have been ahead of expectations, as well as launching in Sallys and Nordstrom Rack.

Sales of W7 in the rest of the world grew by 51% in H1 2023 compared to H1 2022, to represent 6% of overall W7 sales.

Technic

In H1 2023 sales of Technic (which includes Technic and the other Retra brands, including Body Collection and retailer own brand white label cosmetics) grew by 37% to £10.9 million (H1 2022: £7.9 million), with sales growth seen in all geographic regions.

In H1 2023, UK revenues from the Technic brands were up 38% on H1 2022, with strong growth also seen in Europe, with sales up 31%.

Sales of the Technic brands in the US and the rest of the world remain small in the context of the Group as a whole, representing approximately 2% of Group revenues, although the Technic brands continue to gain traction outside their traditional markets, with US sales increasing by 334% and rest of the world sales growing by 58% in H1 2023, compared to H1 2022.

Overall sales of the Technic brands were 30% of total Group revenue in H1 2023 (H1 2022: 31%).

E-commerce

Online sales grew in all regions in H1 2023 to reach £1.97 million (H1 2022: £0.63 million), an increase of 212%, at a similar margin to other Group sales. Direct online sales, as a proportion of the Group's overall sales, have grown significantly, to represent 5.4% of Group sales in H1 2023 (H1 2022: 2.5%).

The Group continues to focus on growing sales through the W7 and Technic brands' own bespoke e-commerce sites, and in the UK, Europe and the US on Amazon, and in China through official W7 brand stores owned by the Group on Taobao Mall (Tmall), the most visited B2C online retail platform in China and Xiaohongshu (Red), one of China's foremost social media, fashion and luxury shopping platforms. Growth in online sales continued post period-end. For the eight months to 31 August 2023 online sales were up by 200% to £2.7 million, compared to the same period in 2022 (eight months to 31 August 2022: £0.9 million).

Close-out

Close-out sales are not a core focus for the Group, although advantage is taken of profitable close-out opportunities as they become available, and they continue to provide a significant and profitable source of intelligence in the colour cosmetics market. In H1 2023, close-out division sales reduced by 42% to £1.6 million (H1 2022: £2.8 million) and represented only 4% of the overall revenue of the Group (H1 2022: 11%).

Customers & Geographies

The largest markets for sales of the Group's brands are in Europe and the UK, with a growing presence in the US, as well as significant sales to Australia, coupled with global online sales. In H1 2023 the Group's top ten customers represented 67% of revenues (H1 2022: 66%).

UK

Sales in the UK accounted for 36% of Group sales in H1 2023 (H1 2022: 41%). Overall, UK sales grew by 28% in H1 2023, with increased sales of both the Group's lead brand W7, up 51%, and the Technic brands, up by 38% compared to H1 2022.

The top ten UK Group customers accounted for 73% of UK sales in H1 2023 (H1 2022: 80%).

Strong growth was seen during the period with many UK retailers. Additionally, after an initial trial of W7 product in 20 New Look stores, the Group is now rolling out W7 products to a further 200 New Look stores during 2023. We are also in continued talks with other major UK retailers who stock W7 product to increase the W7 offering in their stores and anticipate further expansion across their estates this year and into 2024.

Europe

Europe has grown in recent years to become the largest sales area for the Group, accounting for 51% of sales in H1 2023 (H1 2022: 48%). During the first half, European sales increased by 56% compared to H1 2022, with growth seen both through existing customers and those new to the Group. Sales for the Group's brands into Europe are mainly to Denmark, Spain and Sweden.

US

Sales in the US in H1 2023, in Sterling terms, increased by 83%, accounting for 7% of Group sales (H1 2022: 5%). The Group has significantly widened its presence in the US, including the recent additions of H-E-B stores and CVS BIRL stores, where initial sales have been ahead of expectations, as well as launching in Sallys and Nordstrom Rack during the period. Additionally, there is continued focus on growing US online sales via Amazon FBA.

In the US, 97% of sales in H1 2023 (H1 2022: 88%) were from the sale of the Group's brands.

Rest of the World

Sales in the rest of the world for the Group in the period increased by 53%, to account for 6% of overall Group sales (H1 2022: 6%). The focus continues to be on Australia, China and other countries where profitable sales in appropriate volumes can be made.

The Group has no suppliers in either Russia or Ukraine, and no significant historic sales to either country.

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 3.0p per share (2022 interim dividend: 2.6p per share) which will be paid on 24 November 2023 to shareholders on the register at 10 November 2023. The shares will go ex-dividend on 9 November 2023.

Summary and Outlook

I am delighted with the Group's continuing strong performance in the first half of 2023, with a record level of sales and profits delivered. I believe the Group is very well positioned to achieve further growth and I remain confident that margins can be maintained going forward.

Warpaint is a global business with the capacity, expertise and strategy, coupled with balance sheet strength, to drive future growth from both our existing and new customers. Whilst we continue to experience good growth in the UK, I am particularly pleased with the growth we are seeing in Europe and the US. We have put in place a robust supply chain and distribution network to ensure that we are able to supply our retailer's outlets on time with the product that their customers are demanding.

As in previous years, the Group's sales are expected to remain second half weighted, reflecting Christmas seasonal sales and ongoing sales momentum. We anticipate updating further on trading later in the year, and with significant opportunities for continued growth, both already secured with our existing retailers and in discussion with additional major retailers globally, I am confident that the Group will continue to perform well for the remainder of the year and beyond.

Sam Bazini
Chief Executive Officer
20 September 2023

CHIEF FINANCIAL OFFICER'S REVIEW

The first half of 2023 was a record for the Group and significantly ahead of the first half of 2022, with improved sales, gross margin and profit before tax. The Group continues its strategy of building the W7 and Technic brands in the UK and internationally, and we remain focused on margin, being debt free, and generating cash.

Headline results, shown below, represent the performance comparisons between the consolidated statements of income for the half years ended 30 June 2023 and 30 June 2022. Adjusted numbers are closer to the underlying cash flow performance of the business which is regularly monitored and measured by management, the adjustments made to the statutory numbers are as follows:

Statutory Results	**6 Months ended 30 June 2023**	**6 Months ended 30 June 2022**
Revenue	£36.7m	£25.2m
Earnings before interest, corporation tax, depreciation and amortisation ("EBITDA")	£7.3m	£5.4m
Profit from operations	£6.3m	£3.5m
Profit margin from operations	17.1%	14.0%
Profit before tax ("PBT")	£6.2m	£3.5m
Earnings per share ("EPS")	6.2p	3.5p
Cash and cash equivalents	£7.1m	£4.3m

Adjusted Statutory Results	**6 Months ended 30 June 2023**	**6 Months ended 30 June 2022**
Adjusted EBITDA	£7.9m*	£4.4m*
Adjusted EPS	6.5p*	5.2p*

	6 Months ended 30 June 2023	**6 Months ended 30 June 2022**
Statutory profit from operations	**£6.3m**	**£3.5m**
Depreciation	£0.9m	£0.8m
Amortisation	£0.1m	£1.1m
EBITDA	**£7.3m**	**£5.4m**
Foreign exchange movements	£0.6m	-£1.1m
Exceptional items	£nil	£0.1m

Share based payments	£0.1m	£0.1m
***Adjusted EBITDA**	**£7.9m**	**£4.4m**
Statutory profit attributable to equity holders	**£4.8m**	**£2.7m**
Exceptional items	£nil	£0.1m
Amortisation	£0.1m	£1.1m
Share based payments	£0.1m	£0.1m
Adjusted profit attributable to equity holders	**£5.0m**	**£4.0m**
Weighted number of ordinary shares	76,802,439	76,751,187
***Adjusted EPS**	**6.5p**	**5.2p**

Note: numbers rounded to the nearest £0.1 million.

Revenue

Total revenue increased by 46% from £25.2 million in H1 2022 to £36.7 million in H1 2023.

Company branded sales were £35.0 million in the first half of the year (H1 2022: £22.1 million). Our W7 brand had sales in the first half of the year of £24.2 million (H1 2022: £14.5 million). Our Technic brand, excluding sales of retailer own brand white label cosmetics, contributed sales of £10.8 million in the first half of the year (H1 2022: £7.6 million).

Our Retra subsidiary business had sales of retailer own brand white label cosmetics of £0.05 million in the first half of the year (H1 2022: £0.33 million). The white label business is traditionally cost competitive and Retra chooses which projects to undertake based on commercial viability, in particular margin.

The close-out business had sales in the first half of the year of £1.6 million (H1 2022: £2.8 million), as the Group, in line with its strategy, continued to reduce its focus on close-out opportunities.

In the UK, sales increased by 28% to £13.3 million (H1 2022: £10.4 million). Internationally, revenue increased by 58%, from £14.8 million in H1 2022 to £23.4 million in H1 2023. In Europe, Group sales increased by 56% to £18.9 million (H1 2022: £12.1 million). In the US, Group sales increased by 83% to £2.4 million (H1 2022: £1.3 million). In the rest of the world, Group sales increased by 53% to £2.1 million (H1 2022: £1.4 million).

E-commerce sales continued to grow in the first half of the year and now represent 5.4%, or £2.0 million, of Group revenue (H1 2022: 2.5% / £0.6 million).

Product Gross Margin

Gross margin was 39.1% for the half year, compared to 39.0% in H1 2022.

Our management teams across the Group were swift to recognise and navigate cost headwinds that started in 2021 and continued into 2022. New product development, sourcing product from new factories and falling freight rates, have all helped achieve a slight gross margin improvement in the first half of 2023, without the need for an inflationary price increase to customers at the start of the year.

The cost of freight from the Far East is a significant cost of goods throughout the Group. Container freight rates which increased dramatically in 2021, started to slowly fall in 2022. As we end the first half of 2023, freight rates have fallen to record lows, which will help to improve our gross margin for the full year.

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

Towards the end of 2022 we purchased various currency options to help protect the Group's gross margin in 2023, these included traditional forward purchase foreign exchange options for US$3 million at US$1.2146, and more complex forward purchase foreign exchange options which will now deliver in 2023 a minimum of US$27 million to a maximum of US$36 million at an average rate for 2023 of $1.1984/£. Since the start of this year we have purchased more forward options to help protect our gross margin in 2023 and into 2024.

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

Operating Expenses

Total operating expenses before exceptional items, amortisation costs, depreciation, foreign exchange movements and share based payments, increased at a lower rate than the growth in sales, increasing by 20.2% to £6.5 million in the first half of the year (H1 2022: £5.4 million). Operating costs as a percentage of sales reduced from 21% to 18%.

The overall increase of £1.1 million year on year was necessary to support the growth of the business and was made up of increases in wages and salaries, the spend on PR and marketing as e-commerce sales continue to grow, travel costs, and a small increase in office costs of £0.03 million in relation to utility charges.

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 2023 was £7.9 million (H1 2022: £4.4 million).

Profit Before Tax

Group profit before tax for the half year to 30 June 2023 was £6.2 million (H1 2022: £3.5 million). The material changes in profitability between 30 June 2022 and 2023 were:

	Effect on Profit
• Gross margin on increase in sales in H1 2023	£4.5 million

• Increase in operating expenses	(£1.1) million
• FX loss in H1 2023 of £0.55 million (gain in H1 2022: £1.13 million)	(£1.7) million
• Decrease in the charge for amortisation costs on acquisition*	£1.0 million

*Acquisition costs are amortised over five years. The reduction in 2023 reflects the end of the write off period since the purchase of Retra in November 2017.

Exceptional Items

Exceptional costs in H1 2023 of £nil (H1 2022 included a £0.11 million provision for content use and associated legal fees).

In 2022 the Group agreed a settlement regarding a dispute with a third party relating to the historic use of content on the Group's social media platforms in the period from 2018 through to early 2021. The total settlement including associated legal costs was £0.52 million, of which £0.37 million was provided for in the year to 31 December 2021. The payment and the restriction of content use will not affect the ongoing operations of the Group's businesses.

Earnings Per Share

The statutory interim basic and diluted earnings per share were 6.22p and 6.20p respectively in H1 2023 (H1 2022: 3.54p and 3.53p).

The adjusted interim basic and diluted earnings per share before exceptional items, amortisation costs and share based payments were 6.46p and 6.44p respectively in H1 2023 (H1 2022: 5.18p and 5.16p).

LTIP, EMI & CSOP Share Options

On the 9 May 2023 a block listing of 385,633 ordinary shares of 25p each ("Ordinary Shares") was made to satisfy the future exercises of options granted over Ordinary Shares at an exercise price of 49.5p on 20 May 2020 under the Warpaint London plc Company Share Option Plan ("CSOP").

The LTIP, EMI & CSOP share options had an immaterial dilutive impact on earnings per share in the period. The share-based payment charge of the LTIP, EMI and CSOP share options for the half year to 30 June 2023 was £0.06 million (H1 2022: £0.09 million) and has been taken to the share option reserve.

Cash Flow and Cash Position

Net cash flow generated from operating activities was £1.9 million compared to £(0.4) million in H1 2022. The Group's cash balance increased by £2.8 million to £7.1 million as at 30 June 2023 (30 June 2022: £4.3 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 2023, £0.3 million (H1 2022: £0.4 million) was spent on store furniture, on new computer software and equipment, warehouse racking, and other general office fixtures and fittings and plant upgrades.

As the Group continues to grow it is both necessary and prudent to have bank facilities available to help fund day to day working capital requirements. Accordingly, the Group maintains a £9.5 million invoice and stock finance facility which is used to help fund imports in our gifting business during the peak season. At 30 June 2023 the balance outstanding on the invoice and stock finance facility was £nil (30 June 2022: £1.4 million). In addition, in February 2023 the Group added a new "general purpose" facility of £3.0 million, the balance at 30 June 2023 was £nil. These facilities, together with the Group's positive cash generation and the growing cash balance held, ensure that future growth can be funded.

Balance Sheet

Inventories at 30 June 2023 were £25.7 million (30 June 2022: £21.9 million). The rise in inventory is a function of growth in the business and to ensure delivery disruption is avoided for our customers. One of the Group's unique selling propositions is that it can deliver a full range of colour cosmetics to its customers, in good time all year round. Having appropriate inventory levels is vital to providing that service.

The provision for old and slow inventory was £0.4 million/1.4% at 30 June 2023 (30 June 2022: £0.4 million/1.9%). Across the Group we have worked hard in the last year to sell through older stock lines, allowing our provision for old and slow inventory to fall 0.5% in percentage terms. Our Group policy is to provide for 50% of the cost of perishable items that are over two years old. However, we remain comforted by the fact that many such items in the normal course of business are eventually sold through our close-out division without a loss to the Group.

Trade receivables are monitored by management to ensure collection is made to terms, to reduce the risk of bad debt and to control debtor days, which have improved on the prior half year. Trade receivables, excluding other receivables, at 30 June 2023 were £10.7 million (30 June 2022: £7.4 million). The provision for bad and doubtful debts carried forward at 30 June 2023 is £0.15 million/1.4% of gross trade receivables (30 June 2022: £0.12 million/1.6%).

At 30 June 2023 the Group has no borrowings (30 June 2022: borrowings outstanding on the invoice and stock finance facility of £1.4 million) or lease liabilities outstanding (30 June 2022: £nil), apart from those associated with right-of-use assets as directed by IFRS 16 (see below). The Group was therefore debt free at 30 June 2023.

Working capital increased by £8.6 million from 30 June 2022 to 30 June 2023. The main components were an increase in inventory of £3.8 million, an increase in trade and other receivables of £3.2 million, an increase in cash of £2.8 million, an increase in trade and other payables of £2.6 million, and a decrease in the invoice and stock finance facility of £1.4 million.

The Group's balance sheet remains in a very healthy position. Net assets totalled £42.9 million at 30 June 2023, 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 £0.2 million of intangible fixed assets arising from acquisition accounting.

Goodwill represents the excess of consideration over the fair value of the Group's share of the net identifiable assets of the acquired business / cash generating units at the date of acquisition. The carrying value at 30 June 2023 of £7.3 million included Treasured Scents Limited (Close-out business) of £0.5 million, Retra Holdings Limited of £6.2 million and Marvin Leeds Marketing Services, Inc. of £0.6 million. Management have performed a mid-year review at 30 June 2023 and have concluded that no impairment is indicated for Treasured Scents Limited, Retra Holdings Limited or Marvin Leeds Marketing Services, Inc. as the recoverable amount exceeds the carrying value.

The balance sheet also includes £5.1 million of right-of-use assets, this is the inclusion of the Group leasehold properties, now recognised as right-of-use assets as directed by IFRS 16. An equivalent lease liability is included of £5.4 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 2023 with various options in place to help protect our gross margin in 2023, these included traditional forward purchase foreign exchange options for US$3 million at US$1.2146, and more complex forward purchase foreign exchange options known as Window Barrier Accruals and Counter TARFs which will now deliver a minimum of US$27 million to a maximum of US$36 million (depending on the dollar rate at maturity of each option) at an average rate for 2023 of US$1.1984/£. We also sold forward €3.8 million at €1.1340. (1 January 2022: US$27 million @ US$1.3849/£, and €3.9 million @ €1.1558/£).

We have a natural hedge from sales to the US which are entirely in US dollars; in H1 2023 these sales were US$3.0 million (H1 2022: US$1.7 million).

Together with sourcing product from new factories where it makes commercial sense to do so, new product development, and by buying US dollars when rates are favourable, we are able to mitigate the effect of a strong US dollar against sterling.

Dividend

The board is pleased to have declared an increased interim dividend of 3.0p per share which will be paid on 24 November 2023 to shareholders on the register at 10 November 2023. The shares will go ex-dividend on 9 November 2023.

Neil Rodol
Chief Financial Officer
20 September 2023

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	*Unaudited* 6 months ended 30 June 2023 £'000	*Unaudited* 6 months ended 30 June 2022 £'000	*Audited* Year ended 31 December 2022 £'000
Revenue		36,685	25,197	64,058
Cost of sales		(22,331)	(15,359)	(40,724)
Gross profit		**14,354**	**9,838**	**23,334**
Administrative expenses	3	(8,089)	(6,305)	(15,367)
Analysed as:				
Adjusted profit from operations[1]		6,445	4,791	10,307
Amortisation		(118)	(1,063)	(1,995)
Exceptional items	3	-	(109)	(152)
Share based payments		(62)	(86)	(193)
Profit from operations		**6,265**	**3,533**	**7,967**
Finance expenses	4	(101)	(79)	(277)
Profit before tax	3	**6,164**	**3,454**	**7,690**
Tax expense	5	(1,384)	(737)	(1,440)
Profit for the period attributable to equity holders of the parent company		**4,780**	**2,717**	**6,250**
Other comprehensive income (net of tax):				
Exchange gain on translation of foreign subsidiary		64	54	(135)
Total comprehensive income for the period attributable to equity holders of the parent company		**4,844**	**2,771**	**6,115**
Basic earnings per share (pence)	6	6.22	3.54	8.14
Diluted earnings per share (pence)	6	6.20	3.53	8.11

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

	Unaudited As at 30 June 2023 £'000	*Unaudited* As at 30 June 2022 £'000	*Audited* As at 31 December 2022 £'000
ASSETS			
Non-current assets			
Goodwill	7,274	7,274	7,274
Intangible assets	159	1,188	277
Property, plant and equipment	1,338	1,409	1,432
Right-of-use assets	5,147	5,382	5,659
Deferred tax assets	352	580	429
	14,270	**15,833**	**15,071**
Current assets			
Inventories	25,720	21,944	18,715
Trade and other receivables	13,439	10,203	11,693
Cash and cash equivalents	7,066	4,313	5,865
Derivative financial instruments	-	1,158	8
	46,225	**37,618**	**36,281**
Total assets	**60,495**	**53,451**	**51,352**
LIABILITIES			
Current liabilities			
Trade and other payables	9,876	6,100	5,988
Borrowings and lease liabilities	1,005	2,184	1,015
Corporation tax payable	1,295	999	943
Derivative financial instruments	938	-	600
	13,114	**9,283**	**8,546**
Non-current liabilities			
Borrowings and lease liabilities	4,350	4,803	4,847
Deferred tax liabilities	160	355	180
	4,510	**5,158**	**5,027**
Total liabilities	**17,624**	**14,441**	**13,573**
NET ASSETS	**42,871**	**39,010**	**37,779**
EQUITY			
Share capital	19,282	19,188	19,188
Share premium	19,452	19,360	19,360
Merger reserve	(16,100)	(16,100)	(16,100)
Foreign exchange reserve	14	139	(50)
Share option reserve	1,980	1,896	2,003
Retained earnings	18,243	14,527	13,378
Total equity attributable to shareholders	**42,871**	**39,010**	**37,779**

CONSOLIDATED STATEMENT OF CASH FLOW

	Notes	*Unaudited* 6 Months ended 30 June 2023 £'000	*Unaudited* 6 Months ended 30 June 2022 £'000	*Audited* Year ended 31 December 2022 £'000
Profit before tax for the period		6,164	3,454	7,690
Adjusted by:				
Interest paid	4	101	79	278
Depreciation of property, plant and equipment	3	357	393	761
Depreciation on right of use assets		512	377	965
Loss on disposal of property, plant, and equipment		-	-	1
Amortisation of intangible assets	3	118	1,077	1,995
Share based payment		62	86	193
Movement in inventories		(7,005)	(3,805)	(576)
Movement in trade and other receivables		(1,746)	39	(1,370)
Movement in trade and other payables		3,888	(561)	(981)
Movement in derivative financial instruments		346	(613)	1,139
Foreign exchange translation differences		24	54	(117)
Cash inflow generated from operations		**2,821**	**580**	**9,978**
Income tax paid		(935)	(990)	(1,546)
Cash flows from operating activities		**1,886**	**(410)**	**8,432**
Purchase of property, plant and equipment		(263)	(417)	(831)
Purchase of intangible assets		-	(6)	(12)
Cash flows used by investing activities		**(263)**	**(423)**	**(843)**
Proceeds from issued share capital		186	-	-
Principal elements of lease payments		(507)	(279)	(836)
Increase in stock and invoice finance facilities		-	1,432	-
Interest paid		(101)	(79)	(278)
Dividends		-	-	(4,682)
Cash flows used by financing activities		**(422)**	**1,074**	**(5,796)**
Net change in cash and cash equivalents		1,201	241	1,793
Cash and cash equivalents at beginning of period		5,865	4,072	4,072
Cash and cash equivalents at end of period		**7,066**	**4,313**	**5,865**
Cash and cash equivalents consists of:				
Cash and cash equivalents		7,066	4,313	5,865
		7,066	**4,313**	**5,865**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital £'000	Share Premium £'000	Merger reserve £'000	Foreign exchange reserve £'000	Share option reserve £'000	Retained earnings £'000	T £'
As at 1 January 2022	19,188	19,360	(16,100)	85	1,810	11,810	36,
On translation of foreign subsidiary	-	-	-	54	-	-	
Profit for the period	-	-	-	-	-	2,717	2,
Total comprehensive income for the period	**-**	**-**	**-**	**54**	**-**	**2,717**	**2,**
Transactions with owners							
Share based payments	-	-	-	-	86	-	
Total transactions with owners	**-**	**-**	**-**	**-**	**86**	**-**	
As at 30 June 2022	**19,188**	**19,360**	**(16,100)**	**139**	**1,896**	**14,527**	**39,**
As at 1 January 2022	19,188	19,360	(16,100)	85	1,810	11,810	36,
Equity shares issued	-	-	-	-	-	-	
On translation of foreign subsidiary	-	-	-	(135)	-	-	(1
Profit for the year	-	-	-	-	-	6,250	6,
Total comprehensive income for the year	-	-	-	**(135)**	**-**	**6,250**	**6,**
Transactions with owners							
Share based payments	-	-	-	-	193	-	
Dividends paid	-	-	-	-	-	(4,682)	(4,6
Total transactions with owners	**-**	**-**	**-**	**-**	**193**	**(4,682)**	**(4,4**
As at 31 December 2022	**19,188**	**19,360**	**(16,100)**	**(50)**	**2,003**	**13,378**	**37,**
As at 1 January 2023	19,188	19,360	(16,100)	(50)	2,003	13,378	37,
Equity shares issued	94	92	-	-	-	-	
On translation of foreign subsidiary	-	-	-	64	-	-	
Transfer to the profit or loss reserve	-	-	-	-	(85)	85	
Profit for the period	-	-	-	-	-	4,780	4,
Total comprehensive income for the period	**94**	**92**	**-**	**64**	**(85)**	**4,865**	**5,**
Transactions with owners							
Share based payments	-	-	-	-	62	-	
Total transactions with owners	**-**	**-**	**-**	**-**	**62**	**-**	
As at 30 June 2023	**19,282**	**19,452**	**(16,100)**	**14**	**1,980**	**18,243**	**42,**

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. Basis of preparation

The consolidated interim financial information for the 6 months to 30 June 2023 has been prepared in accordance with the measurement and recognition principles of UK adopted international accounting and accounting policies that are consistent with the Group's Annual report and Accounts for the year ended 31 December 2022 and that are expected to be applied in the Group's Annual Report and Accounts for the year ended 31 December 2023. They do not include all of the information required for the full financial statements and should be read in conjunction with the 2022 Annual Report and Accounts which were prepared in accordance with UK adopted international accounting standards.

The comparative financial information for the year ended 31 December 2022 in this interim report does not constitute statutory accounts for that period under section 435 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2022 have been reported on by the Group's auditors and delivered to the Registrar of Companies.

The auditors' report on the accounts for the year ended 31 December 2022 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 2022.

3. Profit from operations

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

	Unaudited **6 months ended 30 June 2023 £'000**	***Unaudited*** **6 months ended 30 June 2022 £'000**	***Audited*** **Year ended 31 December 2022 £'000**
Depreciation of property, plant and equipment	357	393	761
Amortisation of right-of-use assets	512	377	965
Amortisation of intangible assets	118	1,077	1,995
Write down inventories at net realisable value	(8)	(90)	(151)
Exchange differences	545	(1,126)	(133)
Exceptional costs	-	109	152

4. Finance expenses

	Unaudited 6 months ended 30 June 2023 £'000	*Unaudited* 6 months ended 30 June 2022 £'000	*Audited* Year ended 31 December 2022 £'000
Lease liability interest	94	63	185
Other interest	7	16	92
Finance expenses	**101**	**79**	**277**

5. Tax expenses

	Unaudited 6 months ended 30 June 2023 £'000	*Unaudited* 6 months ended 30 June 2022 £'000	*Audited* Year ended 31 December 2022 £'000
Current tax expense			
Current income tax charge	1,121	939	1,817
Adjustment in respect of previous periods	206	-	-
	1,327	**939**	**1,817**
Deferred tax expense			
Relating to original and reversal of temporary differences	(20)	(202)	(377)
Adjustment in respect of previous periods	77	-	-
Total tax in income statement	**1,384**	**737**	**1,440**

6. **Earnings per share**

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

	Unaudited **6 months ended 30 June 2023**	*Unaudited* **6 months ended 30 June 2022**	*Audited* **Year ended 31 December 2022**
	£'000	**£'000**	**£'000**
Profit after tax for the period	**4,780**	**2,717**	**6,250**

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

	Unaudited **6 months ended 30 June 2023**	*Unaudited* **6 months ended 30 June 2022**	*Audited* **Year ended 31 December 2022**
Weighted average number of shares			
Weighted number of ordinary shares for the purpose of basic earnings per share	76,802,439	76,751,187	76,752,355
Potentially dilutive shares awarded	253,678	278,693	296,256
Weighted number of ordinary shares for the purpose of diluted earnings per share	77,056,117	77,029,880	77,048,611
Basic Earnings per share (pence)	**6.22**	**3.54**	**8.14**
Diluted earnings per share (pence)	**6.20**	**3.53**	**8.11**