FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2022

COMPANY INFORMATION

Directors	J Wilson (appointed 8 November 2021, resigned 17 June 2022) A Tone (appointed 14 October 2021) J R C Palix (appointed 2 November 2022) S V Hully (appointed 24 October 2022) P C Hodgins (appointed 10 August 2021) A M Gerrie (appointed 10 August 2021) T C Dodge (appointed 13 October 2022)
Company secretary	Indigo Corporate Secretary Limited
Registered number	13557318
Registered office	2nd Floor 38-43 Lincoln's Inn Fields London England WC2A 3PE
Independent auditors	Crowe UK LLP 55 Ludgate Hill London EC4M 7RD
Accountants	Donald Reid Limited Prince Albert House 20 King Street Maidenhead Berkshire SL6 1EF
Bankers	Metro Bank plc One Southampton Row London WC1B 5HA
Legal Advisers	Armstrong Teasdale Ltd 2nd Floor 38-43 Lincoln's Inn Fields London WC2A 3PE

COMPANY INFORMATION

Aquis corporate adviser and broker	VSA Capital Limited Park House 16-18 Finsbury Circus London EC2M 7EB
Registrar	Neville Registrars Limited Neville House Steelpark Rd Halsowen B62 8HD

CONTENTS

Balmonds is the natural, long term alternative to steroidal creams for people with sensitive skin.

If we can produce 100% natural products which help people to alleviate sore skin issues then we're a valuable part of society

The spirit of the NAILBERRY brand has a sensitivity to health & wellness and a respect to the environment & nature. All of our activities are formed with the sentiment of our values at its core.

Steamcream was established in Japan over 15 years ago by a small team sharing a clear and simple vision – to provide a straightforward, yet effective approach to having great skin.

CIGARRO is the men’s self-care brand that transforms self-care from a mere routine to a pleasurable experience with its uniqueness and strong personality. Making you more of you.

GROUP STRATEGIC REPORT (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2022

Business review

The period to 31 December 2022 has been a story of “setting up.”

The company was incorporated on 10th August 2021. Our initial admission document was published on 29 October 2021 and our shares admitted to trading on London’s AQSE Growth Market on 8th November 2021.

We moved our year end to December to provide a more sensible and uniform reporting period.

Following the corporate set up we embarked on our plans to assemble an experienced, ambitious and curious team who could find, acquire and build a portfolio of beauty brands.

Firstly, our team.

We have been lucky to attract some wonderful people as Directors, non-exec Directors, Board Advisors and members of our management teams. This group has a rare combination of intellect, ambition and humility which I believe will prove to be advantageous for all our stakeholders.

You can see details of our Directors on our website, however, the true heroes of our business are the teams leading and managing our brands. The Directors will be focused on supporting these teams and hopefully celebrating their achievements.

Secondly, our brands

Our focus is the beauty and wellness sectors. Within this we will simply look for brands where we believe the opportunity warrants our activity and investment.

Brands where we understand the downside and have a better than fair chance of creating upside.

We will de-risk the opportunity as far as we can and then take a long term view on building the business or our holding.

We will build a background of shared facilities and support whilst allowing each brand to retain its own flavour and positioning via a mixture of autonomy and responsibility. That is, room to manage the business to best build that brand and to meet the targets we have agreed.

We have made a good start and now have a portfolio of smaller brands and other investments.

Our portfolio of owned brands

(Note. Where we did not own the brand for the full period we have provided full year unaudited numbers to provide a more useful comparison)

Balmonds

In May 2022 we agreed to acquire 100% of Balmonds Skincare Limited, a small UK based brand focused on providing natural solutions for sensitive skin.

We agreed a market price for the business then de-risked our purchase by deferring approximately 40% of the acquisition price for 3 years with these payments being subject to future performance criteria and continued employment of the management team. All payments to Balmond's former shareholders were made with the issue of Silverwood shares. 85% of Balmonds was acquired from my wife and I where the deferred performance criteria also apply, with the remaining 15% acquired from the Balmonds management team.

The business is based in Brighton where we manufacture virtually all our own products.

Balmonds is led by Weze McIntosh who is fortunate to be part of a very dedicated team. Over the past three years, they have moved to a new factory, re-branded the business, addressed various cost issues and grown the business to be profitable. This has resulted in a solid team culture and desire to succeed. Balmonds enjoyed some well placed press coverage during the year which gave a pleasant boost to sales. This may prove difficult to replicate in the current year, however, we are focused on doing so.

Balmonds by numbers: (audited)

	2021 **£**	**2022** **£**
Sales	1,408,905	3,062,027
Pre-tax result	(331,306)	282,646

Nailberry

In September 2022 we agreed to acquire Nailberry, a fast growing range of vegan, breathable nail varnishes, from the brand's founder Sonia Hully.

Again, we agreed a fair market price for the business and again, deferred 40% of the price for 3 years, subject to performance targets.

Whilst the initial 60% tranche was paid in cash, the deferred 40% tranche will be settled with the issue of Silverwood shares, with the deferred consideration being subject to future performance and the continued employment of the brand's founder.

Fortunately for us all, Sonia Hully will remain in the Nailberry management team for at least 3 years and, even better, Sonia has also joined the Silverwood board.

Sonia has done a wonderful job in creating and building this business (we are secretly working on convincing Sonia to stay for much longer than 3 years). Sonia has been joined by Sylvain Reviron and together they are leading a small dynamic team to expand the business. Although, we are only a few months together we are delighted with the team and the plan they have embarked on.

Nailberry by numbers: (unaudited)

	2021 **£**	**2022** **£**
Sales	2,172,797	2,399,121
Pre-tax result	1,050,438	761,499

Sonotas

In December 2022 we agreed to acquire Sonotas. This transaction did not complete until January 2023 therefore is not included in our 2022 numbers.

Sonotas is based in Japan and holds two brands, SteamCream, a beautiful range of skincare, and, Cigarro, a new men's focused self care range.

Again we have a large deferred, performance based element to the purchase price.

Sonotas brings further huge benefits to our business.

- A wonderful team which is headed up by Andrew Tone. I was lucky enough to work with Andrew previously when he was Co-MD of Lush Japan. In this role, Andrew helped build Lush Japan into Lush's largest and most profitable market at the time.

- Secondly, we now have a base in Japan. In fact, Japan is now our largest market!

Japan is a big market, however, it can be a difficult market to crack. With the Sonotas team we have a great head start to making Japan a key market for all our brands.

Sonotas by numbers: (unaudited)

	2021 **K¥**	**2022** **K¥**
Sales	1,116,958	1,103,804
Pre-tax result	49,039	(8,327)

The figures above are reported to 30 June, the Sonatas financial year-end.

<u>Portfolio of gems</u>

We believe we have assembled a portfolio of gems. Although these are small brands today we believe that they all have the potential to be much larger. That's our challenge. With great management teams, determined focus, ambitious plans, some time and a few lucky breaks we can build these small brands to be much larger. We continue to search for more gems to add to our collection.

Lush investment

First a reminder of our earlier announcements:

*"….. Silverwood Brands Plc announced on 12 December 2022 that it had entered into a sale and purchase agreement in respect of a 19.8% stake in each of Lush Cosmetics Limited and Cosmetic Warriors Limited (together referred to as "**Lush**")*

*The Company further announced on 20 February 2023 that it had received notification from Lush declining to record the transfers of the Lush shares to the Company's wholly owned subsidiary, Cosmic Circles Limited ("**Cosmic Circles**")*

Silverwood rejects the reasons given by Lush management and, alongside Cosmic Circles, it has instructed [the company's lawyers] to take up the issues with Lush.

GROUP STRATEGIC REPORT (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2022

Silverwood is comfortable with its position and will continue to take appropriate steps to protect its interests. In the meantime, Silverwood would like to reiterate to its shareholders that, pending the transfers being recorded, it continues to hold contractual rights of control through an agreement with Andrew Gerrie and Alison Hawksley in respect of the Lush shares, including, but not limited to voting control and participation in General Meetings, and receipt of dividends and distributions. "

It is noted that Lush disputes the existence and effect of those contractual rights of control. The exchanges of letters between the various legal advisors has continued.

Whilst we are very disappointed with the position taken by the Lush management team, we retain our long term approach to this investment. The underlying brand and business is a good operation with many aspects to admire. Those commercial and governance areas which we do not admire will be subject to challenges from us until we see improvements. We believe this will benefit all stakeholders in the business.

Our set up period in numbers

As per our consolidated statutory accounts

	2021 **£**	**2022** **£**
Sales	1,408,905	3,667,488
Pre-tax result	(331,306)	(6,012,323)

Under reverse acquisition accounting our 2021 consolidated results reflect those of Balmonds only.

Our 2022 results include a number of non-operational and largely non-cash charges arising from the reverse acquisition of Balmonds and the acquisition of Nailberry and the investment in Lush. These charges represent a combination of the requirements of applying reverse acquisition accounting principles, the costs of making the acquisitions, which we are required to expense and acquisition related contingent consideration and earn outs to be charged to consolidated profits over the earn out periods.

Obviously, we incurred a large number of legal and advisor's fees to set up the company, to undertake the listing on AQSE, to carry out the acquisitions and to respond to the claims from the Lush management team. Further details are set out in notes 3 and 7 to the financial statements.

Acquisition of Balmonds

The Balmonds acquisition value was agreed at £9,411,765. This was split between a shareholder loan of £1,398,365 and equity of £8,013,400. The loan was acquired at full value by Silverwood by issuing 1,398,365 shares at 85p.

The equity was acquired on a split basis with 60% of the agreed value paid on completion, being a value of £4,086,833 settled by issuing 4,808,039 shares at 85p each. The remaining 40% is subject to performance criteria (and continuing employment of the management team who are also the vendors) to be assessed at the third anniversary of purchase. The maximum amount payable being £2,724,556 to be settled by issuing 3,205,360 Silverwood shares at 85p each.

We expect the performance criteria will be met at the 3rd anniversary and, that being the case, the market value of this brand to be substantially higher than the consolidated balance sheet reflects.

Acquisition of NBY London Ltd

The Nailberry acquisition value was set at £10m, comprising an initial cash payment of £6m and a deferred payment of up to £4m which is subject to performance criteria (and the continued employment of the founder vendor) to be assessed at the third year anniversary. The payment of any deferred amount is to be settled by issuing Silverwood shares at the prevailing share price at the time.

Again, we expect the performance criteria will be met at the 3rd anniversary and, that being the case, the market value of this brand to be substantially higher than the consolidated balance sheet reflects.

Consolidated results and underlying operating performance

To give you a view of the underlying operating performance of the businesses, excluding the various accounting adjustments referred to above:

	2021 £	2022 £
Sales	**1,408,905**	**3,667,488**
Statutory operating result	***(328,595)***	***(5,757,123)***
Deemed cost of reverse listing	-	2,665,094
Acquisition costs and acquisition-related contingent consideration and earn outs	-	2,832,049
Underlying operating result	**(328,595)**	**(259,980)**

Note that our 2022 operations include less than 10 weeks of the results of Nailberry. As set out in note 26, had Nailberry been part of the group for the full year it would have contributed sales of £2,399,121 and profit of £551,861.

Trading since the year end

You've already read about or experienced the numerous macro challenges that exist in consumer markets. We are not immune to these and will need to manage these challenges accordingly. However, our brands are very small and operate in market segments which are very large. We therefore have plenty of upside to go after. We need to focus on that growth and not find excuses in the cost of living crisis, post pandemic turmoil or shifting sales channels of modern consumer markets.

Trading to end May has been in line with expectations.

We remain focused on profitable growth over the longer term, however, our current very lean cost base is limiting our growth so we will be adding costs to better support the numerous growth opportunities we have.

Summary

We have assembled a wonderful group of talented people, established an AQSE listed vehicle and acquired an exciting portfolio of brands - we've started.

Whilst we would all like a well defined straight forward path to growing small brands we realise that the reality is a bumpy ride.

With great management teams, determined focus, ambitious plans, some time and a few lucky breaks we can absorb the bumps and build these small brands to be much larger businesses.

We will continue our search for gems to add to our portfolio and to add bigger opportunities where we believe these to be high return low risk ventures.

Financial key performance indicators

For our portfolio of controlled brands we are focused on financial indicators of:

Revenue
We have identified some exciting smaller brands which we believe can grow to be larger businesses. Obviously, revenue growth is key measurement here.

EBITDA
These businesses need to maintain a profitable business model as they grow. EBITDA will give us a guide for this and should represent a cash generation proxy.

Profit After Tax
Profitable business models don't stop at EBITDA so we will also look for true bottom line profitability.

Cash at year end
We need cash to support our growing businesses, to absorb the bumps we encounter and to cover our central costs.

For our investment positions we will look for similar KPI's within the reported data from the underlying businesses. This will allow us to assess the carrying value of our investment positions.

Principal risks and uncertainties

The Board has overall responsibility for the management of risk within the Group. Principal risks are those that the Board believes may materially affect the future prospects or reputation of the Group, including those that could threaten its business model, future performance, solvency or liquidity.

Identifying these potential risks assists in ensuring risk management procedures and internal controls exist to prevent them from occurring, or to at least mitigate their impact should they occur. Principal risks are categorised into four broad areas:

Risks

<u>Reliance on key customers / sales channels</u>

A proportion of the Group's revenue continues to be derived from a small number of large customers. The loss of any of these key customer relationships could have a material adverse effect on the Group's business, financial condition and results of operations.

The historic rate of customer / sales channel retention is very high in the components of the group. The Group continues to build on the existing relationships with key sales channels. As we continue to grow we expect the level of reliance on key customers to reduce as additional sales channels develop.

Strategic risks

<u>Failure to manage growth</u>

Rapid growth places demand on the Group's management and resources. Suitable facilities are required to support the current personnel and forecast demand of the market. Failure to ensure adequate capability, skills and capacity could result in reduced revenues and/or growth.
The Group has a comprehensive bottom-up annual budgeting process which allows the Board to review the resources needed to support the short and medium-term strategic priorities of the business.

<u>Failure to develop new products</u>

The Group operates in some markets where new and seasonal product offerings and customer demand can evolve over time.

The Group needs to ensure that it continues to develop new products to maintain its competitive advantage in the market. Failure to achieve this could result in reduced revenues or a loss of key customers.

The Group continues to invest in research and development activities and the launch of new products. Our strong relationship with key suppliers also supports this.

The Group has launched a number of products in the year and has a pipeline of new products currently in development.

Reputational risk

Dependence on partners

The Group collaborates with partners in a number of markets. Some of these partnerships are relatively new business relationships. There is a risk that the Group mismanages these relationships or that partners decide not to devote significant resources to support the Group's activities.

When the Group enters into a market it ensures that it works with trusted local partners,

Operational risks

Loss of key personnel

The Group has an executive team whose skills, knowledge, experience and performance make a large contribution to the success of the Group and failure to retain such individuals could have an adverse effect on customer relations, operations and growth strategies.

The Group has broadened the senior management team, ensuring appropriate succession plans are in place for key personnel.

Long-term incentive plans are in place for various senior team members based on future share payments and option schemes to ensure retention of key personnel.

Product liability

Risk that products supplied by the Group fail in service and result in a claim under product liability.
As the Group develops and launches new products this risk may increase.

The brands adhere to industry standard testing protocols when developing and releasing new products.
Financial risks

Foreign exchange risk

The Group operates internationally and is exposed to both transactional and translational foreign exchange risk. The Group is particularly exposed to the Japanese Yen and Euro.

The risk is enhanced by macroeconomic factors including the Ukraine Russian conflict, inflationary cost pressures and a recessionary environment.

The Group's current profile provides a natural hedge across currencies. Hedging options are available to the Group and will be utilised should the management deem the exposure to be unbalanced.

Cyber security and business interruption

Cyber security risks include risks from malware, accident, statutory and legislative requirements, malicious actions and other unauthorised access by third parties.

The Group employs third party systems which have robust support procedures. The Group has a number of experienced IT advisors that ensure the Group's electronic records and resources remain secure.

Directors' statement of compliance with duty to promote the success of the Group

Engaging with our stakeholders

The Board recognises that Silverwood Brands plc has a number of stakeholders, including customers, employees, shareholders and suppliers.

Section 172 statement

The Board of Directors, in line with their duties under section 172 :("s172") of the Companies Act 2016, act in a way 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 to a range of matters when making decisions for the long term. Key decisions and matters that are of strategic importance to the Company: are appropriately informed by s172 factors.

Section 172 of the Companies Act 2006 requires Directors to take into consideration the interests of, stakeholders and other matters in their decision making. The Directors continue to have regard to the interests of the Company's employees and other stakeholders, the impact of its activities on the community, the environment and the Company's reputation for good business conduct, when making decisions. In this context, acting in good faith and fairly, the Directors consider what is most likely to promote the success of the Company for the benefit of its members as a whole. We explain in this annual report, and below, how the Board engages with members. ,

The Board regularly reviews the Company's principal stakeholders and how it engages with them. This is achieved through information provided by management and also by direct engagement with stakeholders themselves.

The below sets out some examples of how the directors have exercised this duty:

Customers - We believe our customers to be our driving focus when making business decisions. All our decision making should be based on what our customers need. We engage regularly with our end user customers and with our commercial customers.

Employees – We aim to provide demanding and rewarding careers for our teams. We think of our brand teams as the heroes of our group. We aim to have bonus schemes in place for all team members and a growing group of team members as owners in our businesses.

Shareholders – Our communication with shareholders has been limited during our first year as a listed company. This has not dulled our sense of responsibility for managing shareholder interests. We remain focused on ensuring management and owners have agendas which are aligned for long term growth.

Suppliers – We are working on building partnership focused relationships with our key suppliers to ensure long term success for our brands.

This report was approved by the board on 30 June 2023 and signed on its behalf.

A M Gerrie
Director

GOVERNANCE REPORT
FOR THE PERIOD ENDED 31 DECEMBER 2022

Introduction
We are pleased to present the governance report of Silverwood Brands PLC for the fiscal year ending 2022. This report highlights our commitment to maintaining strong corporate governance practices and provides an overview of our governance structure, policies, and initiatives.

Board of Directors
Silverwood Brands PLC is governed by a Board of Directors that operates in accordance with the highest standards of corporate governance. The Board consists of highly experienced and qualified individuals with diverse backgrounds, skills, and expertise relevant to our business. The Board is responsible for providing strategic guidance, overseeing risk management, and ensuring accountability to our shareholders.

During the reporting period, the Board held regular meetings to review and discuss key matters affecting the company. The Board actively engaged in discussions regarding corporate strategy, risk assessment, financial performance, executive compensation, and compliance with applicable laws and regulations.

Composition and Independence:
The Board of Directors is composed of both executive and non executive directors, ensuring a balance of perspectives and independence in decision making. As of the end of the reporting period, the Board comprised six directors, including four executive directors and two non executive directors.

The non-executive directors bring valuable independent judgment to the Board's deliberations. They are free from any material relationships that could compromise their independence and have the necessary expertise to 15a carry out their responsibilities effectively. The Board periodically reviews the independence of its non-executive directors and ensures their continued objectivity.

The Board also has access to senior advisors whom provide an additional source of expertise.

A summary of management expertise and experience of each of the Directors is listed below.

Andrew Gerrie – Executive Director
In 1994 Andrew joined what was Cosmetics House - soon to be renamed Lush - and then co managed the business alongside the other founders.

Today Lush generates just under £1bn in retail sales from approximately 1,000 stores and online channels, supported by 8 manufacturing facilities across the globe.

Andrew was Non Executive Chairman of Hotel Chocolat plc from 2015 until May 2023.

Andrew holds stakes in a number of consumer businesses, including Mambo, Greenback Recycling & Ginger Teleporter.

Andrew Tone - Executive Director
Andrew has been based in Japan since 1995 where he has built numerous businesses. In 1998 he co-founded and grew Lush Japan to $160M turnover and 160 stores and built local manufacturing that also supported most of Lush's Asian business. Additionally, under the Lush group Andrew created a buying business in Hong Kong that sourced and provided material logistics for the Lush Group.

In 2005, Andrew created a brand incubation business in Hong Kong to focus on building consumer brand concepts. Through that venture he co-founded the skincare brand Steamcream, which he runs today, as well as several other brands, some which went on to be sold.

In addition to the beauty industry, Andrew has built and sold a marketing technologies business he founded in 1999 and sold in 2004.

GOVERNANCE REPORT (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2022

Sonia Hully - Executive Director
Sonia is the founder and CEO of NBY London Limited which was acquired by the Company in October 2022 and owns the Nailberry brand. Sonia has extensive experience in the consumer and beauty sectors.

She started Nailberry with the opening of a renowned salon in Chelsea she successfully sold in 2016 and quickly expanded in the products category such as the award-winning breathable Nail polish and Nail care for the last 8 years. She started her career in the capital markets for Societe Generale, Prebon Yamane and Eurobrokers.

Since leaving the financial industry, she has been involved as an interior designer in the development of several luxury properties and as an entrepreneur, philanthropist, and venture capital investor, focusing on energy transition, sustainability, and animal rights. Sonia’s experience not only enriches Silverwood’s Board of Directors for her knowledge of the consumer sector, but also for her experience in entrepreneurial management and finance and her values.

Paul Hodgins - Executive Director
Paul is CEO and co-founder of Ginger, the leading British micro e-mobility operator. Prior to Ginger, he spent 12 years in large scale telecoms, with wide ranging lead roles in product development, operations, customer experience, and marketing in Virgin Media. Paul led major organisational transformation in customer installations, introduction of wi-fi, voice of the customer, and B2B commercial analytics.

At the same time, Paul has been a local government councillor for over 15 years, and was former Leader and Cabinet Member of the London Borough of Richmond upon Thames.

Paul is an experienced entrepreneur with a proven ability to identify and develop disruptive technologies at an early stage, having founded and sold one of the first UK internet streaming companies well before the emergence of today’s major streaming services.

Paul started his career in Sony’s R&D labs in Tokyo, following his Masters in Electrical Engineering from the University of Toronto and a Bachelors from Queen’s University. Paul also has an MBA from the London Business School.

Tanith Dodge - Non Executive Director
Tanith is an international business leader working as a member of senior executive teams and providing a commercial approach to the business and people agenda and has over 35 years of experience working as a HR Director across a broad sector of international businesses.

Her previous positions included Group HR Director Bicester Village Collection, member of the Management Committee and Group HRD at Marks and Spencer Group PLC and at WH Smiths PLC. Tanith has held senior HR roles at Intercontinental Hotels, Diageo, Prudential PLC and Allied Domecq.

Her current Board experience includes Chairperson at Samarkand Global Plc, which is focused on connecting brands with China e-commerce. Senior Independent Director and Chairperson of Remuneration Committee at Robert Walters Plc. In addition she is a member of the Advisory Council for Price Waterhouse Cooper, responsible for advising internal business leaders on a range of subjects.

Joel Palix - Non Exectuive Director
Joel is a highly experienced beauty executive with over 35 years of international experience in both in brand and retail. His previous roles include CEO of Feelunique a leading beauty e-retailer (sold mid-2021 to Sephora), CEO of Clarins Fragrance Group, (sold in 2019 to l’Oreal), CEO of Thierry Mugler and MD Europe of Yves Saint Laurent Beauty. He operates his own consultancy, Palix Unlimited, advising beauty brands and financiers on funding and acquisitions, DTC and e-commerce strategies, innovation and beauty tech.

His clients include Bain Capital, Augustinus Bader and Lashilé. He is on the Board of several beauty companies, including Spotlight Oral Care, Goodiebox and Ieva.

Angus Thirwell - Board Advisor
Angus co-founded Hotel Chocolat in 1993 and serves as CEO for the company. He has a particular focus on brand strategy, product and channel models, marketing and creative.

Angus attended Cranfield School of Management Business Growth Programme and is a committee member for the Academy of Chocolate.

James Wilson - Board Advisor
Shortly after gaining his master's degree in engineering from Durham University, James joined for the pan-European equity team at Aviva Investors. He gained the CFA designation at Aviva and covered multiple sectors including a focus on the power of consumer brands and habitual products.

James joined PhoenixAsset Management in 2013 and became a partner shortly after. He has represented Phoenix on the board of Hornby PLC and Dignity PLC. He now manages The Huginn Fund which is a global unconstrained strategy. The portfolio has extensive investments in branded jewellery, luxury and other consumable products following more than a decade of research into the sustainable pricing power for such lasting brands.

Board Committees:
To enhance its effectiveness, the Board has established several committees responsible for specific areas of oversight:
1. Audit and Risk Committee: The Committee oversees the company's financial reporting process, internal controls, and risk management. It ensures the integrity of financial statements and compliance with applicable accounting standards. The committee also engages the external auditors and reviews their performance. The committee also ensures that risk mitigation controls are in place."
2. Nomination and Governance Committee: This committee will be responsible for reviewing and recommending candidates for board appointments. It will assess the independence and qualifications of potential directors, oversee succession planning, and evaluate the Board's performance.
3. Remuneration Committee: The Remuneration Committee will establish executive compensation policies and review performance related pay structures. It will ensure that remuneration packages are fair, competitive, and aligned with the company's long term objectives.

Audit and Risk Committee Report

This report is intended to give an overview of the role and activities of the Audit and Risk Committee in assisting the board to fulfil its oversight responsibilities in relation to risk management, the independence and effectiveness of the external auditors and the integrity of the Group's financial statements.

The Audit and Risk Committee comprises Paul Hodgins (the Chairperson), Andrew Tone and Tanith Dodge. The Audit and Risk Committee will meet formally twice per year at appropriate intervals in the financial reporting and audit cycle and otherwise as required.

The Audit and Risk Committee assists the Board in, amongst other matters, discharging its responsibilities with regard to financial reporting, external audits, including reviewing the Group's annual financial statements, reviewing and monitoring the extent of non-audit work undertaken by external auditors, advising on the appointment, reappointment, removal and independence of external auditors, and reviewing the effectiveness of the Group' s internal controls and risk management systems. The ultimate responsibility for reviewing and approving the annual report and accounts and the half-yearly reports remains with the Board.

The Audit and Risk Committee is also responsible for advising the Board on the Group's risk strategy, risk policies and current exposures. To oversee the implementation and maintenance of the overall risk management framework and systems,and reviewing the Group's risk assessment processes and capability to identify and manage new risks. The Audit and Risk Committee will meet with appropriate employees of the Group at least once annually.

Specific actions taken by the committee since the last annual report include:

- A review of the acquisitions made throughout the period ,
- A review of the disclosures in the Chairman's Statement, Chief Executive's Review and Strategic Report to ensure that the performance and risks of the Group are adequately described and reported.
- Assess the performance and continuing independence of Crowe U.K. LLP as auditors of the Group

Priorities for the year ended 31 December 2023: -

- Continue to develop-and review the Group's risk management framework and systems
- Review the effectiveness of the Group's internal controls
- Monitor the progress of any management actions recommended by Crowe U.K. LLP

Remuneration and Nomination Committee Report

The Remuneration and Nomination Committee assists the Board in determining its responsibilities in relation to remuneration and nominations, including, amongst other matters, making recommendations to the Board on the Group's policy on executive remuneration, determining the individual remuneration and benefits package of each of the executive directors.

The membership of the Remuneration and Nomination Committee comprised Paul Hodgins (the Chairperson) and Tanith Dodge. The Remuneration Committee will meet formally each year and otherwise as required.

Details of Directors' remuneration are disclosed below.

The table sets out the remuneration payable to the Directors for the period ended to 31 December 2022:

Name	Fees/Basic Salary
Executive Directors	
Andrew Gerrie	Nil
Andrew tone	Nil
Sonia Hully	1,875
Paul Hodgins	6,250
Non-executive Directors	
Tanith Dodge	6,250
Joel Palix	2,083

Options Granted in 2022

The Group established a share option scheme for Non Executive Directors during 2022. The options were issued to Paul Hodgins, Tanith Dodge and Joel Palix. The options give the directors the right to 100,000 Ordinary shares in the company, exercisable at 60p each. The options are only exercisable if the recipient remains employed by the company one year after their appointment date, being 10th August 2022 for Paul Hodgins and on 10 October 2023 for Tanith Doge, and 2nd November 2023 for Joel Palix. The options will vest immediately upon these dates.

GOVERNANCE REPORT (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2022

Director's Interests

As at 31 December 2022 the directors of the company held the following number of shares:

Name	Number of Ordinary Shares	% Holding of the issued share capital
Andrew Gerrie	122,587,151	50.65%
Paul Hodgins	28,577	0.01%
Angus Thirwell	571,429	0.04%
Andrew Tone	104,572	0.04%
James Wilson	28,572	0.01%

Corporate Policies and Practices

Silverwood Brands PLC is committed to upholding high ethical standards and maintaining transparency in all aspects of its operations. The company has implemented several policies and practices to guide its governance framework, including:

1. Code of Conduct: Our Code of Conduct sets out the ethical principles and standards expected from all employees, directors, and business partners. It outlines guidelines for maintaining integrity, respecting human rights, and complying with applicable laws and regulations.
2. Whistleblower Policy: We have a comprehensive Whistleblower Policy in place, enabling employees to report any concerns or suspected wrongdoing in a confidential and protected manner. The policy encourages the reporting of illegal, unethical, or fraudulent activities and ensures appropriate investigation and action.
3. Risk Management Framework: Silverwood Brands PLC has established a robust risk management framework to identify, assess, and manage risks across the organization. Regular risk assessments are conducted, and appropriate mitigation strategies are implemented to safeguard the company's assets and interests.

This report was approved by the board on 30 June 2023 and signed on its behalf

A M Gerrie
Executive Director

DIRECTORS' REPORT
FOR THE PERIOD ENDED 31 DECEMBER 2022

The directors present their report and the financial statements for the period ended 31 December 2022.

Directors' responsibilities statement

The directors are responsible for preparing the Group strategic report, Directors' report and the consolidated financial statements, in accordance with applicable law.

Company law requires the directors to prepare consolidated financial statements for each financial year. Under that law they have elected to prepare the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the UK.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS as adopted by the UK, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Principal activity

The principal activity of the Group is the sale and distribution of beauty products.

Results and dividends

The loss for the period, after taxation, amounted to £6,035,726 *(2021 - loss £296,700)*.

The group has not paid any dividends for 2022 or 2021.

DIRECTORS' REPORT (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2022

Directors

The directors who served during the period were:

J Wilson (appointed 8 November 2021, resigned 17 June 2022)
A Tone (appointed 14 October 2021)
J R C Palix (appointed 2 November 2022)
S V Hully (appointed 24 October 2022)
P C Hodgins (appointed 10 August 2021)
A M Gerrie (appointed 10 August 2021)
T C Dodge (appointed 13 October 2022)

Sustainability Statement

Although our various brands have individual focuses on sustainability we have yet to establish a Group level Sustainability Committee.

Our aim is to do this over the next 12 to 24 months and to base this on the practices already established in our underlying trading companies.

Future developments

At this moment, there are no substantial future developments to report.

Research and development activities

At this moment, there are no substantial research and development activities to report.

Going concern

The directors have considered the going concern assumption as a significant judgement given that the company is a new entity, the recent acquisitions, and funding considerations and have formed the conclusion that it is appropriate to consider that the Group and Company will continue to operate in the foreseeable future.

Substantial Shareholding

As at 31 December 2022, the following shareholders had notified the Company that they held an interest in 3% or more of its issued ordinary share capital:

Name	Number of Ordinary Shares	% Holding of the issued share capital
Andrew Gerrie	122,587,151	50.65%
Alison Hawksley	109,781,553	45.36%

DIRECTORS' REPORT (CONTINUED)
FOR THE PERIOD ENDED 31 DECEMBER 2022

Notice of meeting
This, year's Annual General Meeting will be held on Wednesday, 26 July 2023.

A separate circular will be sent to shareholders and includes the following:

— notice of meeting;
— Form of Proxy; and
— details and information on the resolutions to be proposed.

Crowe U.K. LLP have expressed their willingness to continue in office and a resolution to reappoint them will be proposed at the Annual General Meeting accordance with Section 489 of the Companies Act 2006. .

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company and the Group's auditors are unaware, and

- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditors are aware of that information.

Post year end events

- Sonotas acquisition completed in January 2023

- Lush dispute over the updating of the Lush companies' share registers to reflect our shareholding continues with exchanges between lawyers.

- Trading in our underlying brands has been encouraging.

Auditors

The auditors, Crowe U.K. LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 30 June 2023 and signed on its behalf.

A M Gerrie
Director

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SILVERWOOD BRANDS PLC

Opinion

We have audited the financial statements of Silverwood Brands Plc (the "Parent Company") and its subsidiaries (the "Group") for the period ended 31 December 2022, which comprise:

- the Group statement of profit or loss and other comprehensive income for the period ended 31 December 2022;
- the Group and Parent Company statements of financial position as at 31 December 2022;
- the Group and Parent Company statements of changes in equity for the period then ended;
- the Group and Parent Company statements of cash flows for the period then ended; and
- the notes to the financial statements, including significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK-adopted international accounting standards.

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 2022 and of the Group's loss for the period then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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's and Parent Company's ability to continue to adopt the going concern basis of accounting included:

- Reviewing management's financial projections for the Group and Parent Company for a period of more than 12 months from the date of approval of the financial statements.
- Checking the numerical accuracy of management's financial projections
- Challenging management on the assumptions underlying those projections and considering the impact of reductions in anticipated net cash inflows.
- Confirming any finance facilities on which reliance is to be placed.
- Obtaining the latest management results after the reporting date to assess how the Group and Parent Company are performing compared to the projections.
- Performing sensitivity analysis on key inputs into the projections by calculating the impact of various scenarios and considering the impact on the Group and Parent Company's ability to continue as a going concern in the event that a downward scenario occurs.
- Assessing the completeness and accuracy of the matters described in the going concern disclosures within the significant accounting policies as set out in Note 2.

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's and Parent 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.

Overview of our audit approach

Materiality

In planning and performing our audit we applied the concept of materiality. An item is considered material if it could reasonably be expected to change the economic decisions of a user of the financial statements. We used the concept of materiality to both focus our testing and to evaluate the impact of misstatements identified.

Based on our professional judgement, we determined overall materiality for the Group financial statements as a whole to be £2.3 million, based on approximately 1% of the total assets of the Group. Materiality for the Parent Company financial statements as a whole was set at £1.6 million based on approximately 0.7% of net assets.

We use a different level of materiality ('performance materiality') to determine the extent of our testing for the audit of the financial statements. Performance materiality is set based on the audit materiality as adjusted for the judgements made as to the entity risk and our evaluation of the specific risk of each audit area having regard to the internal control environment. This is set at £1.6 million for the Group and £1.1 million for the Parent Company.

Where considered appropriate performance materiality may be reduced to a lower level, such as, for related party transactions and directors' remuneration.

We agreed with the Audit and risk Committee to report to it all identified errors in excess of £115,000. Errors below that threshold would also be reported to it if, in our opinion as auditor, disclosure was required on qualitative grounds.

Overview of the scope of our audit

There are three significant components in the Group, the Parent Company, Cosmic Circles Limited ('Cosmic Circles'), which holds the Group's investment in Lush Cosmetics Limited and Cosmetic Warriors Limited (together 'Lush') and Balmonds Skincare Limited ('Balmonds'). The Parent Company and Cosmic Circles were subject to full scope audit by ourselves and Balmonds was audited by a component auditor. For the work performed by component auditor, we determined the level of involvement needed in order to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the Group financial statements as a whole.

We directed the component auditor regarding the audit approach at the planning stage, issued instructions that detailed the significant risks to be addressed through the audit procedures and indicated the information we required to be reported on. The audit team met with the component auditor to review the component auditors' working papers, discuss key findings and conclude on significant issues.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SILVERWOOD BRANDS PLC (CONTINUED)

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. These matters included 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.

This is not a complete list of all risks identified by our audit.

Key audit matter	***How the scope of our audit addressed the key audit matter***
Ownership and valuation of Lush investment On 15 December 2022 the Group, through its wholly owned subsidiary, Cosmic Circles, acquired a significant investment in the share capital of Lush Cosmetics Limited and Cosmetic Warriors Limited (together the ‘Lush companies’) in exchange for the issue of 228.8 million new ordinary shares to a director and his spouse. The investment is carried at cost of £216.8 million. The transaction is a related party transaction under the AQSE Rules. Management of Lush has subsequently declined to register the share transfers. Due to the ongoing dispute between Lush and Silverwood the risk that the entity may not have the contractual right to the investment was considered to represent a significant audit risk and key audit matter. There is also a risk that the investment is not carried at an appropriate fair value. Notes 2.3 & 16 As set out in note 16, at the date of approval of the financial statements the dispute over the registration of the transfer of the shares in the Lush	We considered the appropriateness of judgements made by management in connection with accounting for the investment including: • obtaining copies of the share purchase agreement to confirm the purchase price and ensure that the cost of investment is correctly capitalised; • obtaining copies of the contractual arrangements between the Group and the registered shareholders and considering the appropriateness of the capitalisation of the investment in the financial statements; • challenging management’s assessment as to the assumptions and methodologies used in arriving at the fair value of the consideration given comprising cost of the investment; • carrying out, with the assistance of our valuations experts, our own valuation benchmarking of the investment in Lush at the reporting date to establish that the carrying value of the investment falls within an acceptable range of possible values; • obtaining copies of relevant legal advice obtained by the Group and by management, discussing that advice with both management and directly with the relevant legal advisers and challenging management’s judgements in relation to the range of possible outcomes; and • reviewing the disclosures relating to this transaction, the nature of the legal dispute and the resulting uncertainties in order to assess whether they comply with the requirements of IFRS and provide a clear explanation of the position.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SILVERWOOD BRANDS PLC (CONTINUED)

Key audit matter	*How the scope of our audit addressed the key audit matter*
companies is ongoing. Based on legal advice received to date the directors are confident of their position and anticipate the completion of transfer of the shares in due course. However, until such time as the dispute is resolved, either by agreement or by court sanction, there is uncertainty in relation to the legal status of the ownership arrangements in relation to the investment.	
Combination accounting for the RTO On 15 June 2022 the Company completed the acquisition of the share capital and operating business of Balmonds in exchange for the issue of new shares in the Company and the Company's shares were readmitted to trading on the Access Segment of the AQSE Growth Market. The combination accounting for this transaction is complex, and as such this was considered to represent a significant audit risk and key audit matter. Notes 2.3 & 3	The acquisition of Balmonds by the Company was not considered a business combination by management. We considered the appropriateness of the judgement made by management that the acquisitions should be accounted for as a reverse acquisition in accordance with Application Note B20 to IFRS 3. We performed audit procedures on the inputs to the acquisition accounting including: • obtaining copies of the share purchase agreement to confirm the purchase price and ensure that the cost of investment is correctly capitalised; • challenging management's assessment as to the assumptions and methodologies used in arriving at fair values; and • reviewing acquisition date balance sheets of the entities to ensure the fair value of assets is appropriately considered and also the completeness of liabilities. Where there were differences we obtained explanations for these and ensured the combination has been appropriately recognised in line with Application note B20 to IFRS3. We reviewed the disclosure in the financial statements to ensure they are in accordance with IFRS.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SILVERWOOD BRANDS PLC (CONTINUED)

Key audit matter	*How the scope of our audit addressed the key audit matter*
Combination accounting for the acquisition of Nailberry On 24 October 2022 the Company completed the acquisition of the share capital and operating business of NBY London Limited (‘Nailberry’) in exchange for cash consideration and undertakings to issue deferred consideration shares in the Company. The combination accounting for this transaction involved the exercise of significant judgement by management, and as such this was considered to represent a significant audit risk and key audit matter. Notes 2.3 & 26	The acquisition of Nailberry by the Company was considered a business combination by management. We considered the appropriateness of the judgement made by management that the acquisitions should be accounted for as a business combination in accordance with IFRS 3. We performed audit procedures on the inputs to the acquisition accounting including: • obtaining copies of the share purchase agreements to confirm the purchase price and ensure that the cost of investment is correctly capitalised; • challenging management’s assessment as to the assumptions and methodologies used in arriving at fair values; • challenging the assessment by management’s expert in identifying and valuing separable intangibles and the fair value of consideration as to the assumptions and methodologies used in arriving at fair values; and • reviewing acquisition date balance sheets of Nailberry to ensure the fair value of assets acquiredis appropriately considered and also the completeness of liabilities. Where there were differences we obtained explanations for these and ensured the combination has been appropriately recognised in line with IFRS3. We reviewed the disclosure in the financial statements to ensure they are in accordance with IFRS.

Our audit procedures in relation to these matters were designed in the context of our audit opinion as a whole. They were not designed to enable us to express an opinion on these matters individually and we express no such opinion.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SILVERWOOD BRANDS PLC (CONTINUED)

Other information

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether 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.

Opinion on other matter prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Group and the Parent Company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

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

Responsibilities of the directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 28, 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 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 AUDITORS' REPORT TO THE MEMBERS OF SILVERWOOD BRANDS PLC (CONTINUED)

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.

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 within which the Company operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were the Companies Act 2006 and taxation legislation.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be the override of controls by management. Our audit procedures to respond to these risks included enquiries of management about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals and reviewing accounting estimates for biases.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

These inherent limitations are particularly significant in the case of misstatement resulting from fraud as this may involve sophisticated schemes designed to avoid detection, including deliberate failure to record transactions, collusion or the provision of intentional misrepresentations.

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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SILVERWOOD BRANDS PLC (CONTINUED)

Use of our report

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

Stephen Bullock (Senior Statutory Auditor)

for and on behalf of

Crowe U.K. LLP

Statutory Auditor

London

30 June 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 DECEMBER 2022

	Note	2022 £	*2021 £*
Revenue	5	**3,667,488**	*1,408,905*
Cost of sales		**(1,398,229)**	*(623,868)*
Gross profit		**2,269,259**	*785,037*
Other operating income	6	**30,119**	*-*
Administrative expenses		**(2,559,358)**	*(1,113,632)*
Deemed cost of listing	7	**(2,665,094)**	*-*
Acquisition costs, acquisition related contingent consideration and earn outs	7	**(2,832,049)**	*-*
Loss from operations		**(5,757,123)**	*(328,595)*
Finance income	11	**25,588**	*-*
Finance expense	11	**(160,085)**	*(2,711)*
Fair value (losses)/gains		**(120,703)**	*-*
Loss before tax		**(6,012,323)**	*(331,306)*
Tax (expense)/credit	12	**(23,403)**	*34,606*
Loss for the period		**(6,035,726)**	*(296,700)*
Total comprehensive income		**(6,035,726)**	*(296,700)*
Earnings per share			
Basic and diluted loss per share (pence)	13	(37.5)	(7.3)

The notes on pages 45 to 85 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Note	**2022** **£**	*2021* *£*
Assets			
Non-current assets			
Property, plant and equipment	14	**45,490**	*68,778*
Intangible assets	15	**5,973,797**	*33,238*
Investments	16	**216,802,081**	*80*
		222,821,368	*102,096*
Current assets			
Inventories	17	**401,132**	*121,704*
Trade and other receivables	18	**968,021**	*218,938*
Cash and cash equivalents		**2,055,143**	*36,176*
		3,424,296	*376,818*
Total assets		**226,245,664**	*478,914*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED) AS AT 31 DECEMBER 2022

	Note	2022 £	*2021 £*
Liabilities			
Non-current liabilities			
Loans and borrowings	20	**13,947**	*16,534*
Deferred tax liability	12	**657,535**	-
		671,482	*16,534*
Current liabilities			
Trade and other liabilities	19	**5,858,054**	*1,171,110*
Loans and borrowings	20	**1,529,265**	*30,616*
		7,387,319	*1,201,726*
Total liabilities		**8,058,801**	*1,218,260*
Net assets/(liabilities)		**218,186,863**	*(739,346)*
Issued capital and reserves attributable to owners of the parent			
Share capital	21	**24,202,969**	*532,494*
Share premium reserve		**201,467,075**	*1,406,108*
Shares to be issued	26	**831,450**	-
Reverse takeover reserve		**(4,797,432)**	*(1,938,600)*
Share based payment reserve		**3,257,875**	-
Retained earnings		**(6,775,074)**	*(739,348)*
		218,186,863	*(739,346)*
TOTAL EQUITY		**218,186,863**	*(739,346)*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2022

The financial statements were approved and authorised for issue by the board of directors on 30 June 2023 and were signed on its behalf by:

A M Gerrie
Director

The notes on pages 45 to 85 form part of these financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Note	2022 £
Assets		
Non-current assets		
Other non-current investments	16	**14,254,164**
Trade and other receivables	18	**218,007,377**
		232,261,541
Current assets		
Trade and other receivables	18	**362,264**
Cash and cash equivalents		**1,249,007**
		1,611,271
Total assets		**233,872,812**

COMPANY STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2022

	Note	2022 £
Liabilities		
Current liabilities		
Trade and other liabilities	19	**7,535,493**
Loans and borrowings	20	**1,511,713**
		9,047,206
Total liabilities		**9,047,206**
Net assets		**224,825,606**
Issued capital and reserves attributable to owners of the parent		
Share capital	21	**24,202,969**
Share premium reserve		**201,467,075**
Shares to be issued	26	**831,450**
Share based payment reserve		**592,781**
Retained earnings		**(2,268,669)**
TOTAL EQUITY		**224,825,606**

The Company's loss for the period was £2,268,669

The financial statements were approved and authorised for issue by the board of directors on 30 June 2023 and were signed on its behalf by:

A M Gerrie
Director

The notes on pages 45 to 85 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 DECEMBER 2022

	Share capital	Share premium	Shares to be issued	Reverse takeover reserve	Share based payment reserve	Retained earnings	Total equity
	£	£	£	£	£	£	£
At 1 January 2022	532,494	1,406,108	-	(1,938,600)	-	(739,348)	(739,346)
Comprehensive income for the period							
Loss for the period	-	-	-	-	-	(6,035,726)	(6,035,726)
Total comprehensive income for the period	-	-	-	-	-	(6,035,726)	(6,035,726)
Issue of share capital	23,670,475	200,060,967	-	-	-	-	223,731,442
Equity share options issued	-	-	-	-	20,000	-	20,000
Deemed cost of listing	-	-	-	-	2,665,094	-	2,665,094
Shares to be issued as part of the consideration in a business combination	-	-	831,450	-	-	-	831,450
Reverse takeover	-	-	-	(2,858,832)	-	-	(2,858,832)
Post combination remuneration – equity component	-	-	-	-	572,781	-	572,781
Total contributions by and distributions to owners	23,670,475	200,060,967	831,450	(2,858,832)	3,257,875	-	224,961,935
At 31 December 2022	**24,202,969**	**201,467,075**	**831,450**	**(4,797,432)**	**3,257,875**	**(6,775,074)**	**218,186,863**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 DECEMBER 2021

	Share capital	Share premium	Reverse takeover reserve	Retained earnings	Total equity
	£	£	£	£	£
At 1 January 2021	-	-	-	(442,648)	(442,648)
Comprehensive income for the period					
Loss for the year	-	-	-	(296,700)	(296,700)
Total comprehensive income for the period	-	-	-	(296,700)	(296,700)
Contributions by and distributions to owners					
Issue of share capital	532,494	1,406,108	-	-	1,938,602
Reverse takeover	-	-	(1,938,600)	-	(1,938,600)
Total contributions by and distributions to owners	532,494	1,406,108	(1,938,600)	-	2
At 31 December 2021	**532,494**	**1,406,108**	**(1,938,600)**	**(739,348)**	**(739,346)**

The notes on pages 45 to 85 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 DECEMBER 2022

	Share capital	Share premium	Shares to be issued	Share based payment reserve	Retained earnings	Total equity
	£	£	£	£	£	£
Comprehensive income for the period						
Loss for the period	-	-	-	-	(2,268,669)	(2,268,669)
Total comprehensive income for the period	-	-	-	-	(2,268,669)	(2,268,669)
Contributions by and distributions to owners						
Issue of share capital	24,202,969	201,467,075	-	-	-	225,670,044
Equity share options issued	-	-	-	20,000	-	20,000
Shares to be issued as part of the consideration in a business combination	-	-	831,450	-	-	831,450
Post combination remuneration – equity component	-	-	-	572,781	-	572,781
Total contributions by and distributions to owners	24,202,969	201,467,075	831,450	592,781	-	227,094,275
At 31 December 2022	**24,202,969**	**201,467,075**	**831,450**	**592,781**	**(2,268,669)**	**224,825,606**

The notes on pages 45 to 85 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 DECEMBER 2022

	Note	2022 £	*2021* *£*
Cash flows from operating activities			
Loss for the period		**(6,035,726)**	*(296,700)*
Adjustments for			
Deemed cost of listing		2,665,094	-
Acquisition costs, acquisition related contingent consideration and earn outs		2,832,049	-
Depreciation of property, plant and equipment	14	**18,714**	*55,604*
Amortisation of intangible fixed assets	15	**125,363**	-
Finance income	11	**(25,588)**	-
Finance expense	11	**160,085**	*2,711*
Loss on sale of property, plant and equipment		**-**	*13,406*
Bad debt charge		**7,320**	-
Fair value movements		**120,703**	-
Share-based payment expense		**20,000**	-
Net foreign exchange loss		**25**	-
Income tax expense	12	**23,403**	-
		(88,558)	*(224,979)*

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 DECEMBER 2022

Movements in working capital:			
Increase in inventories		**(50,785)**	*(26,115)*
(Increase)/decrease in trade and other receivables		**(167,475)**	*41,161*
Increase/(decrease) in trade and other payables		**1292,715**	*(6,160)*
Cash generated from/used in operations		**(14,103)**	*(216,093)*
Net cash generated from/(used in) operating activities		**(14,103)**	*(216,093)*
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired	26	**(5,893,163)**	-
Cash acquired on reverse acquisition		**1,491,957**	-
Purchases of property, plant and equipment		**(9,827)**	*(7,825)*
Purchase of intangibles	15	**(2,860)**	*(5,928)*
Payments to acquire financial assets		**(1,284,025)**	-
Net cash from investing activities		**(5,607,918)**	*(13,753)*
Cash flows from financing activities			
Issue of ordinary shares		**1,600,000**	-
Issue of loan note		**4,400,000**	*254,800*
Issue of convertible loan note		**1,500,000**	-
Proceeds from bank borrowings		**154,921**	-
Payment of lease liabilities		**(19,366)**	*(18,439)*
Net cash from/(used in) financing activities		**7,635,555**	*(18,439)*

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 DECEMBER 2022

Net cash increase in cash and cash equivalents	**2,018,967**	*6,515*
Cash and cash equivalents at the beginning of period	**36,176**	*29,661*
Cash and cash equivalents at the end of the period	**2,055,143**	*36,176*

The notes on pages 45 to 85 form part of these financial statements.

COMPANY STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 DECEMBER 2022

	Note	2022 £
Cash flows from operating activities		
(Loss)/profit for the period		**(2,268,669)**
Adjustments for		
Finance income	11	**(19,644)**
Finance expense	11	**156,370**
Fair value movements		**120,703**
Acquisition costs, acquisition related contingent consideration and earn outs		**1,306,673**
Net foreign exchange loss		**2,044**
		(702,523)
Movements in working capital:		
Increase in trade and other receivables		**(381,472)**
Increase in trade and other payables		**124,426**
Cash generated from operations		**(959,569)**
Net cash (used in)/from operating activities		**(959,569)**
Cash flows from investing activities		
Acquisition of subsidiary	26	**(6,000,000)**
Payments for financial assets		**(1,284,025)**
Net cash (used in)/from investing activities		**(7,284,025)**

COMPANY STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 DECEMBER 2022

Cash flows from financing activities	
Issue of ordinary shares	**3,592,601**
Issue of loan note	**4,400,000**
Issue of convertible loan note	**1,500,000**
Net cash from financing activities	**9,492,601**
Net cash increase in cash and cash equivalents	**1,249,007**
Cash and cash equivalents at the end of the period	**1,249,007**

The notes on pages 45 to 85 form part of these financial statements.

During the period the Company issued ordinary shares with a value of £217,990,611 in consideration for amounts due from subsidiary undertakings. These are significant non-cash transactions.

1. General Information

Silverwood Brands plc (the Company) is a public company limited by shares and registered in England and Wales with company number 13557318. The Company, which was incorporated on 10 August 2021, is domiciled in the United Kingdom and the registered office is 2nd Floor 38-43 Lincoln's Inn Fields, London, England, WC2A 3PER. The shares of the Company are traded on the Growth Market of the Acquis Stock Exchange with the ticker code SLWD. PL. The financial statements for the Company are the first statutory financial statements for the period from incorporation to 31 December 2022. The consolidated financial statements comprise the Company and its subsidiaries (together referred to as the “Group”) and are for the year ended 31 December 2022. Further details of the basis of preparation of the financial statements are set out in note 3.

The principal activity of the Group is the sale and distribution of beauty products.

2. Accounting policies

2.1 Basis of preparation

These financial statements have been prepared in accordance with UK adopted international accounting standards..

The financial statements are presented in Pounds Sterling and all values are rounded to the nearest pound.

These consolidated financial statements have been prepared in accordance with the accounting policies set out below, which have been consistently applied to all the years presented.

Standards adopted in the year

There have been no standards adopted that have had a material impact on the financial statements and no standards adopted in advance of their implementation date.

Standards, amendments and interpretations to published standards not yet effective

The Directors have considered those standards and interpretations, which have not been applied in the financial statements but are relevant to the Group’s operations, that are in issue but not yet effective and do not consider that they will have a material impact on the future results of the Group.

2.2 Going concern

At the year-end, the Group had cash balances of £2,055,143 (2021: £36,176) and net assets of £218,186,183 (2021: net liabilities £739,346). The Group has posted a loss for the year after tax of £6,035,726 (2021: loss of £296,700) and retained losses were £6,775,074 (2021: losses of £739,348). The loss after tax of £6,035,726 was after charging exceptional acquisition costs of £2,832,049 and a non-cash charge of £2,536,000 relating to the Reverse Takeover described in note 3.

Silverwood entered into two loan agreements with Castelnau Group Limited (Castelnau) in the period:

- An unsecured convertible loan facility of approximately £1.5 million to be applied towards general working capital requirements of the Company repayable on the first anniversary of draw down. The loan was converted in full into ordinary shares on 31 May 2023.

- An unsecured term loan facility of approximately £4.4 million to be applied towards the acquisition of NBY London Limited and to general working capital requirements of the Company repayable on the first anniversary of draw down (or earlier at the option of the Company). There are no conversion provisions in this loan agreement. Castelnau has confirmed to the directors of Silverwood its intention to convert the loan into ordinary shares and also confirmed that if for any reason the loan was not converted in October 2023 to extend the repayment date by 12 months.

The financial statements have been prepared on a going concern basis. The Directors have

reviewed forecasts for the Group for a period of at least 12 months from the date of approval of the financial statements.

Based on their assessment, the Directors have a reasonable expectation that the Group and Company have adequate resources to for at least twelve months and that there are no material uncertainties that cast significant doubt about the Group's ability to continue in operational existence. Accordingly, they have adopted the going concern basis in preparing the consolidated financial statements.

2.3 Basis of consolidation

The Group financial statements consolidate those of the Company and its subsidiaries undertakings drawn up to 31 December 2022. Subsidiaries are entities over which the Group has control. Control comprises an investor having power over the investee and is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. Intra-group balances and transactions, and any unrealised income and expenses arising from intragroup transactions, are eliminated. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

On 14 June 2022, the Company, completed a reverse acquisition of Balmonds Skincare Ltd a company registered in the United Kingdom. Further information about this transaction is disclosed in note 3.

The comparative period for the Group is 1 January 2021 to 31 December 2021 and includes the results of Balmonds only.

Undertaking	Country of Incorporation	Holding	Registered Office	Proportion of voting rights and shares held 2022	Proportion of voting rights and shares held 2021
Balmonds Skincare Ltd	United Kingdom	Ordinary Shares	Unit 7 Westergate Business Centre, Westergate Road, Brighton, BN2 4QN	100%	-
NBY London Ltd	United Kingdom	Ordinary Shares	5.17 Grand Union Studios 322 Ladbroke Grove, London, England, W10 5AD	100%	-
Cosmic Circles Ltd	United Kingdom	Ordinary Shares	38 - 43, Lincoln's Inn Fields, London, United Kingdom, WC2A 3PE	100%	-

2.4 Revenue

Revenue is measured on the consideration specified in a contract with a customer.

Revenue is recognised when the Group's obligations are fulfilled, i.e. when control over goods is transferred to customers. Customers obtain control of the goods when they are delivered to and have been accepted at their premises, or other agreed upon location, or made available for ex-works collection, depending on individual customer arrangements.

Invoices are generated at that point in time and are usually payable within 30 days. Revenue is recorded based on the price specified in sales invoices, net of any agreed discounts and rebates, and exclusive of value added tax on goods supplied to customers during the year.

There are a variety of discounts and rebates provided to customers, which are assessed on a case-by-case basis as to whether the resulting payment to customers is for a distinct good or service (such as marketing) or for a promotional discount.

Returns are permitted, but typically these only occur in isolated instances where inaccuracy has been made in the order.

2.5 Government grants

Government grants are recognised when the entity complies with any conditions for the grant it is receivable and with the value of any unmet performance obligations required to receive the grants recognised as deferred revenue.

2.6 Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities..

2.7 Property, plant and equipment

All plant and equipment is stated at cost less subsequent depreciation and impairment. The costs of the property, plant and equipment is purchase price plus any incidental costs of acquisition. Depreciation commences at the point the asset is available for use.

If there is any indication that an asset's value is less than it's carrying amount an impairment review is carried out. Where impairment is identified an asset's value is reduced to reflect this.

The residual values and useful economic lives of property, plant and equipment are reviewed by management on an annual basis and revised to the extent required.

Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all plant and equipment equally over their expected useful lives. It is calculated at the following rates:

- Office Equipment at 33% per annum
- Plant & Machinery at 25% per annum
- Computer Equipment at 25-33% per annum
- Short-Term Leasehold Property – over the life of the lease
- Freehold Property – 25% per annum

2.8 Intangible assets

All intangible assets, excluding goodwill arising on a business combination, are stated at their amortised cost or value at initial recognition less amortization and/or any provision for impairment.

Definite useful life intangibles

- Trademarks - amortised at 10% per annum straight-line
- Customer relationships - amortised at 20% per annum straight-line
- Development - amortised at 20% per annum straight-line
- Patents – amortised at 25% per annum straight-line
- Other intangible assets – amortised at 20% per annum straight-line

Indefinite useful life intangibles

Goodwill is allocated to the cash generating unit (CGU) to which it relates and is tested for impairment annually, or more frequently when there is an indication that the unit maybe impaired. The testing takes the form of a discounted cashflow analysis using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU. Impairment losses cannot be subsequently reversed.

2.9 Investments

Investments are non-derivative financial assets that cannot be classified as loans and other receivables or cash and cash equivalents. Investments are recognised when the Group becomes party to the contractual arrangements relevant to ownership and de-recognised when it ceases to be party to such arrangements.

Dividends and interest income from investments are included within finance income when the Group's right to receive payments is established. This category includes financial assets at fair value through profit and loss and financial assets at fair value through other comprehensive income.

Measurement of fair values

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

— Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

— Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

— Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

2.10 Leases

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. Lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

2.11 Taxation

The tax expense for the period comprises current tax and deferred tax. Current tax is recognised in profit or loss, except that a charge attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and 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. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

2.12 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and other short-term highly liquid investments (less than three months at inception) that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

2.13 Inventories

Inventories are valued on a first in, first out basis at the lower of cost and net realizable value. Cost includes all expenditure incurred during the normal course of business in bringing in inventories to their present location and condition. Net realizable value is based on the estimated useful selling price less any direct sale costs.

2.14 Financial instruments

Non-derivative financial instruments
A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Trade and other receivables
Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 90 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Interest-bearing borrowings
Interest-bearing borrowings are classified as nonderivative financial instruments, measured at amortised cost using the effective interest rate method.

Trade and other payables
Trade and other payables are stated at net payable amounts.

Derivative financial instruments
The Group has no derivative financial instruments..

2.15 Share capital and reserves

“Ordinary Shares” are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from proceeds.

“Share premium” represents the excess over nominal value of the fair value of consideration received for equity shares net of expenses of the share issue.

“Retained earnings” represents retained losses of the group. As a result of the reverse takeover, the consolidated figures include the retained losses of the Group only from the date of the reverse takeover together with the brought forward losses of Balmonds Skincare Ltd.

"Reverse takeover reserve" represents the accounting adjustments required to reflect the reverse takeover upon consolidation.

“Shares to be issued” represents the deferred consideration arising from the acquisition of Balmonds Skincare Ltd which will be recognised as an issue of shares in Silverwood Brands plc.

"Share based payments reserve" represents amounts recognised in equity in relation to share based payments and similar charges.

2.16 Critical judgements and significant accounting estimates

In the application of the Company's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not apparent from other sources. The estimates and assumptions are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Critical accounting judgements
In applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the consolidated financial statements.

Reverse acquisition accounting – identifying the accounting acquirer
As disclosed in the basis of preparation (accounting policy 2.1), management has used judgement to determine an appropriate accounting policy to account for the business combination in the period. The most significant judgement is in determining the accounting acquiror as the conclusion of this has a fundamental impact on the presentation of the financial statements. In arriving at that judgement management had regard to the guidance in IFRS 3 to identify the accounting acquirer and on this basis determined that Balmonds Skincare Ltd was the accounting acquirer and therefore presented the financial statements as disclosed in note 3.

Investment in Lush
As set out in note 16, the directors of Cosmetic Warriors Limited and Lush Cosmetics Limited have disputed the transfer of the shareholdings to Cosmic Circles Limited and declined to record the share transfers. The directors of the Company have exercised judgement in considering the circumstances in relation to the Company's investment in the Lush companies and determining that the investment meets the definition of an asset in IFRS because it is a resource controlled by the entity as a result of past events from which future economic benefits are expected to flow to the Group.

Contingent consideration
The agreements, made in 2022, to acquire Balmonds Skincare Ltd ("Balmonds") and NBY London Ltd ("NBY") include provision for the Group to pay additional consideration to the selling shareholders in future years conditional on the achievement of incremental revenue or other specific growth targets. We have evaluated each agreement in accordance with IFRS 3 to determine whether these payments should be included as part of the business combination or post combination remuneration expensed to the income statement. Where agreements include conditions for continuing employment, therefore we have concluded that these payments should be charged to the income statement in future periods.

The acquisition-related contingent consideration and earn-out liabilities may include estimates of future financial performance against targets. When estimating the future financial performance, we use Board-approved budgets and, if the timeframe goes beyond available budgets, reasonable growth rates are assessed for each business thereafter.

Valuation of intangible assets
The determination of the fair value of assets and liabilities including goodwill arising on the acquisition of businesses, the acquisition of industry-specific knowledge, branding and customer relationships, whether arising from separate purchases or from the acquisition as part of business combinations, and development expenditure which is expected to generate future economic benefits and the time over which this is expected, are based, to a considerable extent, on management's estimations.

The fair value of these assets and their expected useful economic lives are determined by discounting estimated future net cash flows generated by the asset where no active market for the assets exists. The use of different assumptions for the expectations of future cash flows and the discount rate would change the valuation of the intangible assets.

Key sources of estimation uncertainty
The key areas where estimates and assumptions are significant to the financial statements are described below.

Goodwill
The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. The recoverable amounts of the CGUs are determined from value in use. The key assumptions for the value in use calculations are those regarding the discount rates (being the cost of capital), growth rates (based on Board approved forecasts) and future profit margins (based on Board approved forecasts). The Directors are satisfied that recoverable amounts are in excess of the value of the goodwill held. At 31 December 2022, the carrying amount of goodwill was £5,829,691 (*2021: £5,000*).

3. Reverse take over

On 15 June 2022, the Company acquired through a share for share exchange the entire shares of Balmonds Skincare Ltd ("Balmonds") whose principal activity is the sale and distribution of beauty products.

Although the transaction resulted in Balmonds becoming a wholly owned subsidiary of the Company, the transaction constitutes a reverse acquisition as the previous shareholders of Balmonds own a majority of the ordinary shares of the Company.

In substance, the shareholders of Balmonds acquired a controlling interest in the Company and the transaction has therefore been accounted for as a reverse acquisition. As the Company's activities prior to the acquisition were purely the maintenance of its listing on the the Acquis Growth Market, acquiring Balmonds and raising equity finance to provide the required funding for the operations of the acquisition it did not meet the definition of a business in accordance with IFRS 3 for the purpose of these consolidated financial statements of the Group.

Accordingly, in these consolidated financial statements, the reverse acquisition did not constitute a business combination and was accounted for in accordance with IFRS 2 "Share-based Payments" and the associated IFRIC guidance. Although, the reverse acquisition is not a business combination, the Company has become a legal parent and is required to apply IFRS 10 and prepare consolidated financial statements. The Directors have prepared these consolidated financial statements using the reverse acquisition methodology, but rather than recognising goodwill, the difference between the equity value given up by the Balmonds shareholders and the share of the fair value of net assets gained by the Balmonds shareholders is charged to the statement of comprehensive income as a share-based payment on reverse acquisition and represents in substance the cost of acquiring a market listing.

These financial statements of the Company are its financial statements for the first period of account from incorporation to 31 December 2022. In accordance with reverse acquisition accounting principles, these consolidated financial statements represent a continuation of the consolidated statements of Balmonds and therefore are the financial statements of the group for the year ended 31 December 2022, including activities before the legal formation of the parent entity. The consolidated financial statements include:

•the assets and liabilities of Balmonds at their pre-acquisition carrying value amounts and the results for both years; and

• the assets and liabilities of the Company as at 14 June 2022 and its results from the date of the reverse acquisition to 31 December 2022.

On 14 June 2022, the Company issued 4,808,039 ordinary shares to acquire the whole of the share capital of Balmonds an issue price of £0.85 per share. In addition, a further 1,398,365 Ordinary shares were issued to shareholders in Balmonds in consideration of the novation of the Company of a shareholder loan and a further 3,205,360 Ordinary shares are to be issued to the shareholders in Balmonds as deferred consideration.

Because the legal subsidiary, Balmonds, was treated on consolidation as the accounting acquirer the fair value of the shares deemed to have been issued by Balmonds to acquire the company less the fair value of the net assets of the company at acquisition resulted in £2,665,094, being recognised as a reverse acquisition expense within Exceptional Costs in accordance with IFRS 2, Share Based Payments, reflecting the economic cost to Balmonds shareholders of acquiring a quoted entity.

4. Functional and presentation currency

These consolidated financial statements are presented in pound sterling, which is the Company's functional currency. All amounts have been rounded to the nearest pound, unless otherwise indicated.

5. Revenue

The following is an analysis of the Group's revenue for the period from continuing operations:

	2022 £	2021 £
Sale of goods	3,667,488	1,408,905
	3,667,488	1,408,905

Analysis of revenue by country of destination:

	2022 £	2021 £
United Kingdom	2,656,606	1,195,773
Rest of Europe	460,547	45,644
Rest of the world	550,335	167,488
	3,667,488	1,408,905

Timing of revenue recognition:

	2022 £	2021 £
Goods transferred at a point in time	3,667,488	1,408,905
	3,667,488	1,408,905

6. Other operating income

	2022 £	2021 £
Other operating income	119	-
Government grants receivable	30,000	-
	30,119	-

7. Exceptional costs

	2022 £	*2021* £
Deemed cost of listing	**2,665,094**	-
Acquisition related contingent consideration and earn-outs	**896,196**	-
Acquisition costs	**1,935,853**	-

Deemed cost of listing
As explained in note 3, the reverse acquisition of Silverwood Brands plc does not meet the requirements of IFRS 3 Business Combinations so has been accounted for under IFRS 2 Share Based Payments.

The amount of £2,665,094 represents the deemed cost of acquisition over the net assets of Silverwood Brands plc that were acquired. Under IFRS 2, the deemed costs of obtaining the listing has been expensed to profit and loss.

Acquisition related contingent consideration and earn-outs
Under IFRS 3, contingent consideration on business combination is apportioned between consideration for the acquisition and remuneration for post combination services. The contingent consideration for both the acquisition of NBY London Ltd and Balmonds Skincare Ltd (“Balmonds”) include elements that require the sellers to remain engaged by the company. This contingent consideration is accounted for as remuneration for post combination services which is recognised in the profit and loss.

Deferred consideration for Balmonds is recognised in two parts. Contingent consideration attributable to sellers who are not required to remain engaged with the business, is recognised as part of the investment and a corresponding amount is recognised in the "shares to be issued reserve". The remainder of the deferred consideration, which requires individuals to remain engaged with the Company, is recognised as remuneration for post combination. The amount recognised in the current period the profit and loss in respect of the Balmonds contingent consideration is £572,781.

Contingent consideration for NBY London Ltd is recognised as remuneration for post combination services. An amount of £323,412 has been recognised in the profit and loss in respect of this business combination in the current period with a corresponding amount recognised in other liabilities.

The maximum deferred consideration payable to the former shareholders of Balmonds on or around the third anniversary of the reverse take over, is 3,205,360 ordinary shares in the Company, subject to certain conditions including certain performance targets being satisfied and, in most but not all cases, on continuing employment in the business. The maximum deferred consideration payable to the former shareholder of Nailberry is £4.0 million, subject to the achievement of certain performance criteria dependent on sales and EBITDA growth over the next three years and on continuing employment in the business.

Acquisition related costs
Costs arising as a result of business combinations in the period have been recognised as exceptional items.

8. Auditors' remuneration

During the period, the Group obtained the following services from the Group's auditors:

	2022 **£**	*2021* *£*
Fees payable to the 's auditors for the audit of the consolidated and parent Company's financial statements	**85,000**	-

9. Employee benefit expenses

Group

	2022 **£**	*2021* *£*
Employee benefit expenses (including directors) comprise:		
Wages and salaries	**346,671**	*209,825*
National insurance	**29,372**	*20,254*
Defined contribution pension cost	**9,761**	*7,442*
	385,804	*237,521*

In addition to the above, acquisition related contingent consideration and earn out amounts of £896,196 have been accounted for as post combination remuneration in the period.

Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, including the directors of the Company listed on page 1.

	2022 **£**	*2021* *£*
Salary	**65,547**	*53,000*
	65,547	*53,000*

9. Employee benefit expenses (continued)

The monthly average number of persons, including the directors, employed by the Group during the period was as follows:

	2022 No.	*2021 No.*
Executive Directors	**2**	*2*
Sales	**1**	-
Marketing	**2**	*1*
Admin	**4**	*4*
Despatch	**2**	*1*
Production	**3**	*2*
	14	*10*

10. Directors' remuneration

	2022 £	*2021 £*
Directors' emoluments	**65,547**	*53,000*
	65,547	*53,000*

The remuneration recognised above relates to directors of Balmonds Skincare Ltd and NBY London Ltd. Details of the director's remuneration for Silverwood Brands plc is detailed in the governance report.

No retirement benefits are accruing to Company Directors under a defined contribution scheme *(2021: none)*.

11. Finance income and expense

Recognised in profit or loss

	2022 £	*2021* *£*
Finance income		
Interest on bank deposits	**99**	-
Other interest receivable	**25,489**	-
Total finance income	**25,588**	-
Finance expense		
Interest portion of lease payments	**3,715**	*2,711*
Other loan interest payable	**156,370**	-
Total finance expense	**160,085**	*2,711*
Net finance expense recognised in profit or loss	**(134,497)**	*(2,711)*

12. Tax expense

12.1 Income tax recognised in profit or loss

	2022 £	*2021* *£*
Current tax		
Current tax on profits for the period	**23,166**	*(34,606)*
Total current tax	**23,166**	*(34,606)*
Deferred tax expense		
Origination and reversal of timing differences	**237**	*-*
Total deferred tax	**237**	*-*
	23,403	*(34,606)*
Total tax expense		
Tax expense excluding tax on sale of discontinued operation and share of tax of equity accounted associates and joint ventures	**23,403**	*(34,606)*
	23,403	*(34,606)*

The reasons for the difference between the actual tax charge for the period and the standard rate of corporation tax in the United Kingdom applied to losses for the period are as follows:

	2022	*2021*
	£	*£*
Loss for the period	**(6,035,726)**	*(296,700)*
Income tax credit/expense (including income tax on associate, joint venture and discontinued operations)	**23,403**	*(34,606)*
Loss before income taxes	**(6,012,323)**	*(331,306)*
Tax using the Company's domestic tax rate of 19% (2021:19%)	**(1,142,341)**	*(62,948)*
Expenses not deductible for tax purposes, other than goodwill, amortisation and impairment	**1,258,391**	*9,487*
Non-taxable income	**(4,031)**	-
Adjustment in research and development tax credit leading to an increase/(decrease) in the tax charge	**(32,260)**	*(34,606)*
Unrelieved tax losses carried forward	**(56,356)**	*53,461*
Total tax expense	**23,403**	*(34,606)*

Changes in tax rates and factors affecting the future tax charges

On 3 March 2021 the UK government announced that the standard rate of corporation tax in the UK would change from 19% to 25% from 2023.

At 31 June 2022 the group had unutilised trading tax losses of £1,138,795 (*2021: £716,855*) . The related deferred tax asset of approximately £284,700 (*2021: £136,000*) has not been recognised on the basis that there is insufficient certainty of future profits in the subsequent financial year to warrant recognition at this stage.

12.2 Deferred tax balances

The following is the analysis of deferred tax assets/(liabilities) presented in the consolidated statement of financial position:

	2022 £	*2021* £
Deferred tax liabilities	**(657,535)**	-
	(657,535)	-

	Recognised in profit or loss £	**Acquisitions/ disposals** £	**Utilised in the year** £	**Closing balance** £
2022				
Property, plant and equipment	(237)	-	-	(237)
Intangible assets	-	(682,737)	25,439	(657,298)
	(237)	(682,737)	25,439	(657,535)

13. Earnings per share

(i) Basic earnings per share

	2022 Pence	*2021 Pence*
From continuing operations attributable to the ordinary equity holders of the Company	**(37.5)**	*(7.2)*
Total basic earnings per share attributable to the ordinary equity holders of the Company	**(37.5)**	*(7.3)*

(ii) Reconciliation of earnings used in calculating earnings per share

	2022 £	*2021 £*
Loss attributable to the ordinary equity holders of the Company used in calculating basic earnings per share:		
From continuing operations	**(6,035,726)**	*(296,700)*
	(6,035,726)	*(296,700)*

(iii) Weighted average number of shares used as the denominator

	2022 Number	*2021 Number*
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**16,105,381**	*4,068,833*
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**16,105,381**	*4,086,833*

Weighted average shares in issue is calculated in accordance with Application Guidance B25 to B27 of IFRS3. In the period prior to the RTO the loss attributable to the deemed acquirer, Balmonds, is divided by the number of Balmonds shares in issue multiplied by the share exchange ratio established in the RTO. In the period following the RTO the loss attributable to the Group is divided by the weighted average number of shares of the Company in issue.

Where the Group reports a loss for the current period, then in accordance with IAS 33, the share options in issue are not considered dilutive.

14. Property, plant and equipment

Group

	Freehold property £	Short-term leasehold property £	Plant and machinery £	Office equipment £	Computer equipment £	Total £
Cost or valuation						
At 1 January 2021	25,818	81,316	73,192	-	2,500	182,826
Additions	-	-	7,075	-	750	7,825
Disposals	-	-	(24,750)	-	-	(24,750)
At 31 December 2021	25,818	81,316	55,517	-	3,250	165,901
Additions	-	-	9,827	-	1,041	10,868
Acquisition of subsidiary	-	-	-	339	-	339
At 31 December 2022	**25,818**	**81,316**	**65,344**	**339**	**4,291**	**177,108**

14. Property, plant and equipment (continued)

	Freehold property £	Short-term leasehold property £	Plant and machinery £	Office equipment £	Computer equipment £	Total £
Accumulated depreciation and impairment						
At 1 January 2021	11,338	30,494	26,966	-	1,342	70,140
Charge owned for the period	6,454	-	15,555	-	537	22,546
Charged financed for the period	-	13,553	2,228	-	-	15,781
Disposals	-	-	(11,344)	-	-	(11,344)
At 31 December 2021	17,792	44,047	33,405	-	1,879	97,123
Charge owned for the period	5,617	-	12,189	75	833	18,714
Charged financed for the period	-	13,553	2,228	-	-	15,781
At 31 December 2022	**23,409**	**57,600**	**47,822**	**75**	**2,712**	**131,618**
Net book value						
At 31 December 2021	8,026	37,269	22,112	-	1,371	68,778
At 31 December 2022	2,409	23,716	17,522	264	1,579	45,490

14. Property, plant and equipment (continued)

14.1. Assets held under leases

The net book value of owned and leased assets included as "Property, plant and equipment" in the Consolidated statement of financial position is as follows:

	31 December 2022 £	*31 December 2021 £*
Property, plant and equipment owned	**21,404**	*28,911*
Right-of-use assets, excluding investment property	**24,086**	*39,867*
	45,490	*68,778*

Information about right-of-use assets is summarised below:

Net book value

	31 December 2022 £	*31 December 2021 £*
Property	**23,716**	*37,269*
Plant and machinery	**370**	*2,598*
	24,086	*39,867*

Depreciation charge for the period ended

	31 December 2022 £	*31 December 2021 £*
Property	**13,553**	*13,553*
Plant and machinery	**2,228**	*2,228*
	15,781	*15,781*

15. Intangible assets

Group

	Goodwill £	Development expenditure £	Patents £	Trademarks £	Brands £	Customer contracts and relationships £	Total £
Cost							
At 1 January 2021	5,000	-	80,000	6,838	-	-	91,838
Additions - external	-	-	-	5,928	-	-	5,928
At 31 December 2021	5,000	-	80,000	12,766	-	-	97,766
Additions - external	-	2,064	-	2,860	-	-	4,924
On acquisition of subsidiaries	3,192,356	-	-	-	1,319,726	1,548,916	6,060,998
At 31 December 2022	**3,197,356**	**2,064**	**80,000**	**15,626**	**1,319,726**	**1,548,916**	**6,163,688**

15. Intangible assets (continued)

	Goodwill £	Development expenditure £	Patents £	Trademarks £	Brands £	Customer contracts and relationships £	Total £
Accumulated amortisation and impairment							
At 1 January 2021	-	-	46,567	684	-	-	47,251
Charge for the year - owned	-	-	16,000	1,277	-	-	17,277
At 31 December 2021	-	-	62,567	1,961	-	-	64,528
Charge for the period - owned	-	516	16,000	1,961	49,168	57,718	125,363
At 31 December 2022	**-**	**516**	**78,567**	**3,922**	**49,168**	**57,718**	**189,891**
Net book value							
At 1 January 2021	5,000	-	33,433	6,154	-	-	44,587
At 31 December 2021	5,000	-	17,433	10,805	-	-	33,238
At 31 December 2022	3,197,356	1,548	1,433	11,704	1,270,558	1,491,198	5,973,797

16. Other non-current investments

Group

	2022 £	*2021* *£*
Investments	**80**	*80*
Other fixed asset investments	**216,802,001**	-
	216,802,081	*80*

Company

	2022 £
Investments in subsidiary companies	**14,254,164**
	14,254,164

Other fixed asset investments - investment in Lush

By executed stock transfer forms dated 15 December 2022, Cosmic Circles Limited, a wholly owned subsidiary of the Company, 1,808 shares in Cosmetic Warriors Limited and 1,808 shares in Lush Cosmetics Limited (together the ‘Lush companies’), representing approximately 19.8% of the issued capital of the Lush companies from Andrew Gerrie and Alison Hawksley. The directors of the Lush companies have not registered the transfers and dispute that they have had effect. Consideration for the transfer to Cosmic Circles Limited was £216,802,001, satisfied by the allotment and issue credited as fully paid of 228,212,632 ordinary shares in the Company at a price equal to the closing price on AQUIS Growth Market the last business day prior to the date of the agreement to sell and purchase, such price being determined to be 95 pence per share. The directors of the Lush companies dispute that this was valid consideration.

On 15 December 2022 the Company and Andrew Gerrie and Alison Hawksley entered into a deed of grant of power of contractual control (‘the deed’) over the shares in the Lush companies. The deed seeks to have effect until such time as Cosmic Circles Limited is registered as the holder of the shares by the Lush companies. The directors of the Lush companies dispute that the deed has any effect.

The directors of the Company have considered the circumstances in relation to the Company’s investment in the Lush companies and consider the investment meets the definition of an asset in IFRS because it is a resource controlled by the entity as a result of past events from which future economic benefits are expected to flow to the Group.

At the date of approval of the financial statements the dispute over the registration of the transfer of the shares in the Lush companies is ongoing. Until such time as the dispute is resolved, either by agreement or by court sanction, there is uncertainty in relation to the legal status of the ownership arrangements of the investment. The future conduct of the dispute cannot be accurately predicted. Although the Directors consider the matter can be resolved through constructive engagement between the parties, the Group is exposed to ongoing legal costs in relation to this matter which cannot be reliably measured.

The fair value of this investment was categorised as Level 3 at 31 December 2022. This was because the shares were not listed on an exchange and there were no recent observable arm's length transactions in the shares.

The valuation technique applied in considering fair value was the market comparison technique: The valuation model is based on market multiples derived from quoted prices of companies comparable to the investee, adjusted for the effect of the non-marketability of the equity securities, and the revenue and EBITDA of the investee. The estimate is adjusted for the net debt of the investee.

Investments in subsidiaries – Company

Details of the Company's subsidiary undertakings are set out in note 2.3. All of the investments in subsidiaries were acquired in the period.

17. Inventories

Group

	2022	*2021*
	£	*£*
Raw materials	**220,926**	*121,704*
Finished goods and goods for resale	**180,206**	-
	401,132	*121,704*

The Directors are satisfied that all inventory at 31 December 2022 is recorded at the lower of cost (realisable value. There is no provision for impaired inventory as at 31 December 2022.

Inventory of £1,312,541 (2021: £623,828) was recognised as an expense in the year.

18. Trade and other receivables

Group

	2022 £	*2021* £
Trade receivables	**452,205**	*152,139*
Trade receivables - net	**452,205**	*152,139*
Prepayments and accrued income	**53,302**	*50,723*
Other receivables	**462,514**	*16,076*
Total trade and other receivables	**968,021**	*218,938*
Total current portion	**968,021**	*218,938*

Company

	2022 £
Trade receivables	**681**
Trade receivables - net	**681**
Loans to subsidiary undertakings	**218,007,377**
Total financial assets other than cash and cash equivalents classified as loans and receivables	**218,008,058**
Other receivables	**361,583**
Total trade and other receivables	**218,369,641**
Less: current portion - trade receivables	**(681)**
Less: current portion - other receivables	**(361,583)**
Total current portion	**362,264**
Total non-current portion	**218,007,377**

19. Trade and other payables

Group

	2022 £	2021 £
Trade payables	**391,768**	*78,497*
Payables to related parties	**4,544,657**	-
Other payables	**328,302**	*1,033,916*
Accruals	**273,294**	*17,379*
Total financial liabilities, excluding loans and borrowings, classified as financial liabilities measured at amortised cost	**5,538,021**	*1,129,792*
Other payables - tax and social security payments	**319,086**	*41,318*
Deferred income	**947**	-
Total trade and other payables	**5,858,054**	*1,171,110*
Less: current portion - trade payables	**391,768**	*78,497*
Less: current portion - payables to related parties	**4,544,657**	-
Less: current portion - other payables	**647,388**	*1,075,234*
Less: current portion - accruals	**273,294**	*17,379*
Less: current portion - deferred income	**947**	-
Total current portion	**5,858,054**	*1,171,110*
Total non-current position	**-**	-

Company

	2022 £
Trade payables	**184,529**
Payables to related parties	**6,876,186**
Other payables	**323,412**
Accruals	**151,366**
Total financial liabilities, excluding loans and borrowings, classified as financial liabilities measured at amortised cost	**7,535,493**
Total current portion	**7,535,493**

20. Loans and borrowings

Group

	2022 £	*2021 £*
Non-current		
Lease liabilities	**13,947**	*16,534*
	13,947	*16,534*
Current		
Convertible debt	**1,511,713**	-
Lease liabilities	**17,552**	*30,616*
	1,529,265	*30,616*
Total loans and borrowings	**1,543,212**	*47,150*

Convertible debt

Company

	2022 £
Non-current	
Current	
Convertible debt	**1,511,713**
	1,511,713
Total loans and borrowings	**1,511,713**

Convertible debt

On 12 December 2022 a short term convertible loan note ("CLN") for £1.5m was issued, The CLN had a term ending 31 May 2023 and an interest rate of 15% p.a, which is non-compounding, and, if payable, accrued daily. The CLN was converted to equity after the reporting date at 70p per Ordinary Share.

21. Share capital

Issued and fully paid

	2022 Number	**2022 £**	*2021 Number*	*2021 £*
Ordinary shares of £0.10 each				
At 1 January	**5,324,942**	**532,494**	-	-
Shares issued	**236,704,751**	**23,670,475**	*5,324,942*	*532,494*
At 31 December	**242,029,693**	**24,202,969**	*5,324,942*	*532,494*

On 15 June 2022, the Company completed a reverse acquisition transaction with Balmonds Skincare Limited. It was considered that Balmonds Skincare Limited was the accounting acquirer in the transaction. The share capital set out above, and the comparative share capital, is that of the Company, which is the legal acquirer.

During the period ended 31 December 2022 the Company undertook the following transactions in relation to its issued share capital:

(a) At incorporation, the Company allotted 2 Ordinary shares at nominal value for consideration of £0.01 each.

(b) On 14 October 2021, the Company allotted 98 Ordinary shares at nominal value for consideration of £0.01 each.

(c) On 14 October 2021, 100 Ordinary shares of £0.01 each were consolidated to 10 Ordinary shares of £0.10 each.

(d) On 14 October 2021, the Company allotted 2,747,432 Ordinary shares of £0.10 each at a price of £0.35 per share for total consideration of £961,601.

(e) On 8 November 2021, the Company allotted 2,577,500 Ordinary shares of £0.10 each at a price of £0.40 each for total consideration of £1,031,000.

(f) On 15 June 2022, the Company allotted 4,808,039 Ordinary shares of £0.10 each at a price of £0.85 per share in exchange for the entire share capital for Balmonds Skincare Limited.

(g) On 15 June 2022, the Company allotted 1,398,365, Ordinary shares of £0.10 each at a price of £0.85 per share in exchange for the novation of a Balmonds Skincare Limited shareholder loan of £1,188,611.

(h) On 21 October 2022, the Company allotted 2,285,715 Ordinary shares of £0.10 each at a price of £0.70 per share for total consideration of £1,600,000.

On 19 December 2022, Silverwood Brands plc allotted 228,212,632 Ordinary shares of £0.10 each at a price of £0.95 per share for total consideration of £216,802,001 in exchange for a 19.8% stake in the Lush companies. Further details of this can be found in note 16.

Share options

During the period options to acquire 300,000 ordinary shares with an exercise price of 60p per share were granted to three members of management. The options will vest 12 months from the date of grant subject to satisfaction of service condition. A share based payment charge of approximately £80,000 will be recognised over the vesting period. A charge of £20,000 is included in administrative expenses in the current period. At 31 December 2022 there were 300,000 options outstanding with a weighted average remaining contractual life of 3.0 years and a weighted average exercise price of 60p.

22. Leases

Group

(i) Leases as a lessee

The lease liabilities relate to equipment and property leased by the group. The details of the right of use assets can be found in note 14.1.

Lease liabilities are due as follows:

	2022 **£**	*2021* *£*
Not later than one year	**13,947**	*16,534*
Between one year and five years	**17,552**	*30,616*
	31,499	*47,150*
Lease liabilities included in the Consolidated Statement of Financial Position at 31 December	**31,499**	*47,150*
Non-current	**13,947**	*16,534*
Current	**17,552**	*30,616*

The following amounts in respect of leases have been recognised in profit or loss:

	2022 **£**	*2021* *£*
Interest expense on lease liabilities	**3,715**	*2,711*

23. Financial instruments

Financial risk management objectives
The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Risk management is carried out by senior executives ("executives") under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the Group and appropriate procedures, controls and risk limits.

Market risk
Foreign currency risk
Although not currently material to the financial statements, the Group undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting

Price risk
The Group is exposed to changes in price of its equity investments.

Interest rate risk
The Group's main interest rate risk arises from borrowings. Borrowings obtained at variable rates expose the Group to interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value risk.

At present the directors do not believe that the Group has significant interest rate risk and consequently does not hedge against such risk. Cash balances earn interest at variable rates
.
The Group's interest generating financial assets as at 31 December 2021 comprised cash at bank of £2,055,143 (*2021: £36.176*) and a convertible loan of £219,544 (*2021: £Nil*). Interest is paid on cash at bank at floating rates in line with prevailing market rates. Interest on the convertible loan is accrued at a fixed rate.

The Group's interest generating financial liabilities as at 31 December 2022 included terms loans and convertible loan agreements totaling £6,056,370. Interest on the loans is accrued at a fixed rate.

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Group does not hold any collateral.

The Group has no concentration of credit risk exposure. The Company is exposed to credit risk through amounts due from subsidiary entities of £218,007,377 (see note 18).

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than one year.

Liquidity risk
Vigilant liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable

The Group manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Capital risk management
The Group is not subject to any external capital requirements. The Group’s management objectives are to ensure the Group is appropriately funded to continue as a going concern and to provide an adequate return to shareholders commensurate with risk. The Group defines shareholder’s equity as share capital and equity reserves. The Group has external debt finance in the form of leases and overdrafts, gearing is not measured. The Group’s structure is periodically reviewed and, if appropriate, adjustments are made in the light of expected future funding needs, changes in economic conditions, financial performance and changes in Group structure.

The Group adheres to the maintenance requirements as set out in the Companies Act 2006.

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24. Related party transactions

Acquisition of Balmonds

As set out in note 3, in June 2022 the Company acquired the entire share capital of Balmonds, a cosmetics company. The principal vendors of Balmonds were Andrew Gerrie & Alison Hawksley. Andrew Gerrie is a director of the Company and Alison Hawksley is his wife.

investment in Lush

As set out in note 16, in December 2022 Silverwood acquired a stake of approximately 19.8% in Lush for total consideration of £216.8 million to be satisfied by an issue and allotment of 228,212,632 new ordinary shares to Lush co-founder Andrew Gerrie and his wife Alison Hawksley for a 95p per share price. Andrew Gerrie is a director of the Company

Loans from Castelnau Group Limited

Castelnau Group Limited ("Castelnau") is a public company traded on the London Stock Exchange which was formed by Phoenix Asset Management Partners Limited ("Phoenix") in 2020. Andrew Gerrie is a non-executive director at Phoenix.

On 12 October 2022, £4.4m was loaned to Silverwood Brands plc from Castelnau for the acquisition of NBY London Ltd. The loan has an interest rate of 15% p.a, which is non-compounding and is repayable by 12 October 2023. The directors expect this loan is to be converted into equity.

On 15 December 2022 a short term convertible loan note ("CLN") for £1.5m was issued to Castelnau. The CLN has a term ending 31 May 2023 and an interest rate of 15% p.a, which is non-compounding, and, if payable, will accrue daily.

Both of these amounts have been recognised as current liabilities.

Loan to Ginger Teleporter Limited

Ginger Teleporter Limited ("Ginger") is a private company incorporated and registered in England and Wales. Andrew Gerrie and Paul Hodgins are directors of Ginger.

On 6 May 2022, Silverwood Brands plc entered into a convertible loan agreement to loan up to £350,000 to Ginger. On 9 May 2022 £200,000 was loaned to Ginger. The loan has an interest rate of 15% and is repayable in 2024.

This amount has been recognised in other receivables.

Post balance sheet acquisition of Sonotas

As set out in note 27 below, in January 2023 the Company completed the acquisition of 90% of the issued share capital of Sonotas Holdings Corporation and 100% of the share capital of Sonotas Corporation from executive director Andrew Tone, as well as other seller and entered into a put and call option agreement with Andrew Tone, which entitles the company to acquire from him the 10 percent balance of the total issued share capital of Sonotas Holdings Corporation during the six month period commencing 48 months after the completion date.

On completion of the Sonotas Acquisition, Japanese ¥69,999,992 (approximately £417,000) in cash and Japanese ¥2,613,146,722 (approximately £15.6 million) in Silverwood shares will be paid to the Sonotas vendors by Silverwood (“Sonotas Consideration Shares"). The issue price of the Silverwood shares will be 95p per share, being the closing price of a Silverwood share on the business day immediately before this announcement. The Company has also agreed to pay Andrew Tone a deferred payment in respect of his shares in Sonotas Holdings of ¥392,268,790 (approximately £2.18 million) if settled in cash or ¥426,379,120 (approximately £2.37 million) if settled by issuing shares on or before 15 December 2023.

Directors

Directors' remuneration for the period is detailed in the director's report.

25. Controlling party

At 31 December 2022 the individual controlling party was considered to be Andrew Gerrie due to his owning 50.65% of the share capital of Silverwood Brands plc. The next highest individual shareholding is 45.36% owned by Alison Hawksley, Andrew Gerrie's wife.

26. Business combinations during the period

26.1 Subsidiaries acquired

Name	Principal activity	Date of acquisition	Proportion of voting equity interests acquired %	Consideration transferred £
NBY London Ltd	Production and distribution of nail products	24/10/22	100	8,268,119
				8,268,119

26.2 Consideration transferred

	NBY London Ltd £
Cash	6,000,000
Surplus cash and working capital adjustments	2,268,119
	8,268,119

26.3 Assets acquired and liabilities recognised at the date of acquisition

	NBY London Ltd £	Total £
Non-current assets		
Property, plant and equipment	340	340
Intangible assets	2,868,642	2,868,642
Current assets		
Cash and cash equivalents	2,464,956	2,464,956
Trade and other receivables	639,861	639,861
Inventories	66,643	66,643
Non-current liabilities		
Deferred taxation	(682,737)	(682,737)
Current liabilities		
Trade and other liabilities	(309,445)	(309,445)
	5,048,261	5,048,261

26.4 Goodwill arising on acquisition

	NBY London Ltd £	Total £
Consideration transferred	8,268,119	8,268,119
Fair value of identifiable net assets acquired	(5,048,261)	(5,048,261)
Goodwill arising on acquisition	3,219,858	3,219,858

26.5 Net cash outflow on acquisition

	2022 £
Consideration paid in cash	**8,268,119**
Less: cash and cash equivalent balances acquired	**(2,464,956)**
	5,803,163

26.6 Impact of acquisition on the results of the Group

Acquisition of NBY London Ltd
On 24 October 2022, the group acquired 100% of the share capital of NBY London Ltd (“NBY”) for a total consideration of £8.3m.

NBY trades internationally as Nailberry – a premium nail product brand using a healthy and breathable formula known as L'Oxygéné. The group intends to use its market knowledge to grow the brand both in the UK and internationally and are excited about the future of the business within the Silverwood Brands portfolio.

Goodwill of £3,219,858 recognised in relation to the acquisition of NBY relates to the synergistic benefits able to be realised through NBY being a part of the larger Silverwood Group, as well as goodwill in relation to the assembled workforce.

Contingent consideration is treated as renumeration for post combination services. An amount of £323,412 has been charged to the profit and loss in the current period.

Post acquisition revenue of £605,460 and loss of £104,560 have been recognised in respect of NBY London Ltd. The loss £104,560 recognised in the group includes £340,000 of exceptional legal costs. If NBY London Ltd had been part of the group for their full financial period (1 January 2022 - 31 December 2022) it would have contributed revenue of £2,399,121 and a profit for the period of £551,861. Transaction costs of £114,304 in relation to the acquisition have been expensed in the period.

27. Events after the reporting date

Acquisition of Sonatas

On 9 January 2023 the Company completed the acquisition of 90% of the total issued share capital of Sonotas Holdings Corporation together with 100% of the total issued share capital of Sonotas Corporation from Andrew Tone, a director of the Company and certain other sellers.

In addition, the Company entered into a put and call option arrangement with Andrew Tone which entitles the Company to acquire from him (or for him to require the Company to acquire from him) the 10% balance of the total issued share capital of Sonotas Holdings during the 6 month period commencing 48 months from the date of completion.

A summary of the consideration and the further terms of the Sonotas acquisition is as follows:

- Japanese ¥70 million (approximately £417,000) in cash and Japanese ¥2,613 million (approximately £15.6 million) in ordinary shares will be paid to the Sonotas vendors on completion of the acquisition.
- The issue price of the Silverwood shares will be 95p per share, being the closing price of a Silverwood share on the business day immediately before the announcement of the transaction on 12 December 2022.
- The Company also agreed to pay Andrew Tone a deferred payment in respect of his shares in Sonotas Holdings of ¥341.1 million (approximately £2.0 million) on or before 1 July 2023. An extension period was subsequently agreed for this payment to 15th December 2023. This includes an additional 15% for cash payments and an additional 25% payment if settled in shares.
- Upon the exercise of the put and call option, the purchase price for the option shares will be the sum of Japanese ¥275.7 million (approximately £1.6 million), which will be settled through the issue to Andrew Tone of new Silverwood shares at the mid-market closing price on the business day before the exercise of the put and call option.
- Certain earn-out payments, which will be settled in Silverwood shares, will become due to Andrew Tone and certain Sonotas vendors, subject to the Sonotas companies achieving performance criteria, as follows:
    - 10% profitability with the SteamCream brand and a minimum 10% compound annual growth rate in Japan over a 48 month period (the First Earn-out Payment); and
    - a 100% compound annual growth rate per year average over 48 months for sales outside of Japan (the Second Earn-out Payment).
- The maximum amount of the First Earn-out Payment will be equal to 100% of the revenue generated by the Sonotas companies in Japan in the final 12-month period of the 48-month performance period and the maximum amount of the Second Earn-out Payment will be equal to 300% of the revenue generated outside of Japan in the same period (subject to maximum payment of £9 million).

At the date of approval of these financial statements work on the valuation of the assets and liabilities acquired, including the fair value of separable intangible assets and residual goodwill, has not yet been completed.