

REVOLUTION BEAUTY GROUP PLC
ANNUAL REPORT AND ACCOUNTS 2022

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Strategic Report

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Governance

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Financial Statements

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Introduction and Highlights

The annual report covers the results for the period ended 28 February 2022 ("FY22") and the below sets out the background that is relevant for shareholders to review since the end of FY22

The Company is due to publish its results for the period ended 28 February 2023 ("FY23") by 31 August 2023

The FY22 audited accounts have been significantly delayed as detailed in the following RNS announcements released by the Group:

- 11 August 2022 – the auditors raised certain accounting issues that could have a material impact on the results for FY22 that had previously been communicated by the Group.
- 23 September 2022 – the Company's auditor, had written to the Board and identified a number of serious concerns that had arisen during the course of its work on the FY22 audit regarding, amongst others, the Group's ability to provide sufficient and accurate audit evidence in respect of a number of key audit areas and the validity of certain commercial arrangements entered into by the Company.
- BDO had further recommended that the Board appoint independent external advisers to undertake an independent investigation regarding the concerns raised and report their findings to an independent committee.
- The Company appointed Macfarlanes LLP and Forensic Risk Alliance to commence an independent investigation into the matters raised by BDO and any other matters that may become relevant during the course of their review. The Company has also formed an investigation committee of Derek Zissman (Non-executive Director) and Elizabeth Lake (CFO since May 2022) to lead the process with the independent advisers.

- 13 January 2023 – Outcome of the independent investigation raising the issues covered in the Financial Review on pages 14-22.

Post the final outcome of the investigation, the Group and BDO have been continuing to work to finalise the audit.

This has resulted in material changes in the numbers (including adj. EBITDA) previously communicated through RNS announcements by the Group as released on 6 May 2022 stating adj. EBITDA of £22m, and then subsequently the 2 August 2022 stating £18m-£20m. The adjustments are set out in further detail in note 4.

The financial statements include a material uncertainty to going concern as explained in note 2. The directors of the Group can confirm that the Group operates within its amended banking agreement. The banks remain supportive of the Group and the business is currently trading with positive adj. EBITDA, and generating cash. In the first two months of FY24, trading is ahead of internal forecasts.

The auditors have made qualifications to the FY22 accounts which are set out in the audit opinion.

Key highlights for the period ended 28 February 2022 are provided below:

- Sales Up 35% against previous 12 months, up 17% on 14 months FY21.
- Adj. EBITDA impacted by factors including (discussed further on pages 14-15):
 - New stock provisioning methodology applied, resulting in a £27.2m adjustment to

opening reserves and a material charge of £11.3m in FY22

- Distributor revenue reduction
- Excess freight costs
- Supplier rebates & capital contribution
- Provision increases relating to exit of CVS in the US, stock on hold and bad debts
- Non-exceptional audit fees
- A detailed bridge of all these adjustments is provided on page 14
- PAT impacted by the following (discussed further on pages 18-19):
 - Medichem acquisition impairment
 - IPO costs
 - Restructuring and acquisition costs
- Despite this – the Group has made operational progress across UK and International markets – underpinned by business fundamentals, breadth and depth of product, and strength of retail relationships.
- Post the completion of the FY22 audit process and outcome of the independent investigation – the Group has the infrastructure and base to re-set and continue to build a robust and successful business
- The banks continue to remain supportive of the Group
- New Management in place post year end.

Introduction and Highlights (continued)

	Year ended 28 February 2022 £'M	*14 months ended 28 February 2021 As restated £'M	Unaudited 12 months ended 28 February 2021 As restated £'M	Change vs 12 months ended 28 February 2021 %
Group results				
Revenue	184.6	157.6	136.7	35%
Adjusted EBITDA	(0.8)	13.4	12.2	(107%)

*Throughout this document, the comparative period 2021 or FY21 consists of 14 months to 28 February 2021 due to a change to the Group's accounting reference date, unless stated otherwise.

FINANCIAL HIGHLIGHTS

Throughout this document, the comparative period 2021 or FY21 consists of 14 months to 28 February 2021 due to the change to the Group's accounting reference date as mentioned above, unless stated otherwise.

Four errors have been identified in the prior year numbers and have been corrected in the comparison. These are detailed in Note 4 and relate to rebates, capital support payments, debt instruments and borrowings.

In addition, two errors were identified, stand impairment and stock provisioning, which have been deemed to be impracticable to retrospectively adjust the comparative information, as required under accounting standards. The Group has restated the opening balances of assets, liabilities and equity for the earliest period for which retrospective restatement is practicable, which is at 1 March 2021. The details of which each of these adjustments are explained in Note 4.

- Group revenue was up 35% to £184.6m (12 months to 28 February 2021: £136.7m), with strong H2 momentum.
- Sales performance FY22 v's FY21 was driven by the strength of the brand and multi-channel offer, both in-store and online:

- UK store sales +41%; US store sales +18%; ROW store sales +43%; and
- Group online sales +3%
- Adjusted EBITDA loss of £0.8m (EBITDA profit 12 months to 28 February 2021: £12.2m) is materially below previous year primarily due to:
 - an increase in the stock provision of £11.3m (the prior period has not been adjusted for the errors as previously noted and instead has been restated through opening balances).
 - especially high freight costs due to pandemic related global freight issues c.£3.1m.
- Statutory loss before tax of £44.9m, reflects the impact of impairment of goodwill arising from the purchase of Medichem (£13m) and exceptional IPO costs (£8.9m), as well as depreciation, amortisation, stands impairment, share based payments and finance costs.
- Gross Margin 38.5% (2021: 44.4%), impacted by the increase of £11.3m in the stock provision, and exceptionally high freight costs, due to the global freight market, of c.£3.1m. Going forwards, the stock provision charge in the year is not

expected to have such a significant impact on margin as in FY22.

- Net bank debt as at 28 February 2022, reduced to £7.9m (2021: £74.0m) after the settlement of borrowings post-IPO. The cash balance at the end of April 2023 is c. £11m with RCF borrowings of £32m. The Group continues to enjoy the support of its banking partners.
- The financial statements include a number of prior year adjustments which are set out in the financial statements and relevant notes.

OPERATIONAL HIGHLIGHTS

- Following the Independent Investigation a number of changes to business processes have been implemented to improve financial and corporate governance.
- We increased door numbers (retail units) to c.14k (2021: c.11k), driven by global retailer partnerships.
- Successfully launched our Makeup Revolution brand into 350 of the largest Boots stores.
- The US became our largest market, with a robust rollout across Walgreens and a new partnership with Target.

- Growth in D2C customers, increasing the total customer base +41%,
- We strengthened our third-party partnerships; No. 1 mass market cosmetics brand on a leading online retailer.
- Continued to develop our distinctive social media presence, and we have a global and engaged community of 7.0 million social media followers (2021: 5.7 million), on Tik Tok we have seen almost 100% follower growth in the last two years.
- The Group responded to changing trends at speed, through innovation and also digital marketing activation to achieve industry leading product lead times, and used our test and learn strategy to gain success in new categories to market e.g. Plex Haircare.

Our Business

Since its inception in 2014, the Group has grown its retail footprint to c.14k doors across leading retail chains in the UK, USA and internationally, with an affordable beauty offering. This is complemented by a digital business, including Revolution Beauty's direct-to-consumer website and an increasing number of global digital partners. The Group launches new products to test and learn a consumers' reaction to a new trend or product innovation. Market data is gathered which allows the Group to react to consumer demand and adapt its plan accordingly. This can mean a product can either never go beyond that first order or it can be rolled out globally.

Our Brands

Revolution Beauty aims to represent and champion a diverse set of consumers who share a love of beauty. In an industry where beauty norms have only just begun to be

challenged, Revolution Beauty has stood for inclusivity and diversity since its inception.

The Group retails its products through one overarching core brand: Revolution. This brand is then found in the categories, make-up, skincare, haircare, and fragrance.

Revolution Makeup London

In 2014, Makeup Revolution was created out of a vision for building a better beauty brand that values its customers and creates incredible products from customer feedback. The Group has grown to become a global beauty brand that still stands for those same values – inclusivity, diversity, and disrupting outdated beauty perceptions. It believes everyone should have access to quality, affordable products, and that every definition of beauty deserves to be celebrated.

The Group prides itself on always being cruelty-free and affordable. It is known for high-quality makeup with innovative formulations that rival prestige brands. Its products range from iconic and award-winning Conceal and Define Foundation and Concealer, available in 50 inclusive shades, to revolutionary mascara and ultra-pigmented eyeshadow palettes to inspire creativity and confidence.

Sub Brands

Relove

Relove is everything the consumer needs to create beautiful looks in bitesize formats, made with quality ingredients and selling for £5/€5/\$5 or under.

Revolution Pro

Revolution Pro is for those wanting a glamorous, flawless makeup look with products in beautiful packaging at an affordable price.

XX Revolution

XX Revolution is a range of skin-loving makeup, targeting GenZ consumers.

I Heart Revolution

I Heart Revolution is a fun collectable beauty range, making the ordinary extraordinary.

BH Cosmetics

BH Cosmetics stands for Badass with Heart. It is a Los Angeles based brand with California natives who believe in being proudly imperfect.

Our Product Categories

MAKEUP

Makeup is part of our DNA and the largest part of our business. Our ranges cater for all, delivering high quality affordable makeup alongside the latest innovative beauty trends. We are 100% cruelty-free and almost all vegan.

SKINCARE

Revolution Skincare is a range of high performing products allowing consumers to easily navigate their routine using both chemical and natural ingredients. Transparency to consumers of the ingredients used is key and all products are 100% cruelty free and almost totally vegan.

HAIRCARE

Revolution Hair helps bring out the best in your hair. We develop targeted solutions for colour, care and treatments that are affordable, effective and 100% cruelty free and vegan. The best-selling range, Revolution Plex, is expertly formulated to target different layers of the hair fibre, helping to restore and strengthen damage from within.

FRAGRANCE

Revolution Fragrance offers value driven scents with stylish packaging and designer inspired fragrances for different occasions.

Chairman's Statement

When I was appointed Vice Chairman and Senior Independent Director of the Company on 12 July 2021, the date on which the Company was listed on the Alternative Investment Market (AIM), little did I anticipate that less than two years later, I would be in the role as Acting Chairman and then Chairman.

Preparing Revolution Beauty's first annual report and accounts have, to say the least, been a stressful challenge for all those involved. For a start, the transition from a private and entrepreneurial led business to a listed company is challenging for any company and its founders, particularly around the areas of corporate governance.

As previously announced, these and other challenges faced by the current Board, have resulted in serious delays to the publication of the Company's annual report, a suspension of its shares and the departure of previous management.

Prior to the departure of the Company's management, about which I refer to in more detail later in my report, it became apparent that in order to stabilize the business, it was necessary to recruit a new Chief Executive Officer (CEO) and Chief Financial Officer (CFO).

During the course of the FY22 audit, BDO, the Company's auditor, identified several serious concerns and informed the Board that it was unable to complete and sign off the audit, until those concerns had been addressed satisfactorily

The Board appointed Macfarlanes LLP and Forensic Risk Alliance to commence an investigation into the matters raised by BDO and any other matters that could become relevant during their review. The Company also formed an investigation committee of myself as Senior Independent Non-executive Director and Elizabeth

Lake (CFO since May 2022) to lead the process with the independent advisers.

I took over as Acting Chair on 14 October 2022 when the previous Executive Chair and co-founder, Tom Allsworth stepped down from his role on the Board to focus on assisting with the Investigation. On 24 May 2023 I became Chairman following Tom Allsworth's resignation on the same day.

The investigation reported to the Board on 12 January 2023, with several accounting, governance and control issues identified. In response, the Company acted swiftly and decisively and has addressed specific issues while continuing to improve corporate governance and internal controls across the global business. I have written more on this in the Audit Committee report on page 40, and the specific accounting issues are addressed in the notes to the financial statements.

As part of the strategy to stabilise the business, I brought into the business Bob Holt (CEO) and Elizabeth Lake (CFO), who together have the right mix of PLC and turnaround experience. In the short time they have worked in the Company, Bob and Elizabeth have made a huge impact on the business, its retail partners and suppliers, the culture and have been favourably supported by employees throughout the Company.

The business traded well in FY22 in terms of revenue, achieving revenue growth of 35% year on year. As foreshadowed in our statement of 13 January 2023, adjusted EBITDA was materially impacted by the matters relating to the conclusion of our Independent Investigation, coming in at a loss of £0.8m for the year. Profitability of the Group was impacted by a material movement in the stock provision, and exceptionally

high freight costs due to pandemic related global freight issues.

Whilst these results are significantly below that forecast by the previous management team to the market, they nevertheless reflect a robust business with a strong brand, loyal following, and significant potential ahead in terms of both sales and profitability.

Due to the strength and depth of our relationships with both our suppliers and retail partners, the issues we have had with governance and accounting have not impacted business as usual and our ability to forge new relationships. The Board is confident that under the new management team, and with the right foundations in place, the Company has significant growth runway ahead to deliver long-term sustainable value for its shareholders, and all stakeholders.

BOARD AND MANAGEMENT CHANGES

At IPO, four Independent Non-Executive Directors were appointed to the Board, in addition to myself namely, Jeremy Schwartz, Edward Rumsey and Gita Samani. I have taken on the roles of Senior Independent Director and Chair of the Audit Committee, and more recently Acting Chairman then Chairman. Jeremy Schwartz has taken on the roles of Chair of the Remuneration Committee and the Nomination Committee.

Prior to the IPO, in 2019, Andrew Clark joined the Group as Chief Financial Officer. He announced his intention to step down as a director and CFO of the Company on 12 May 2022. On the same date, we welcomed Elizabeth Lake as director and Chief Financial Officer.

In November 2022, it was announced that Chief Executive Officer Adam Minto resigned as a Director of the Group and stepped down from the business with immediate effect. Bob Holt was appointed as Interim Chief Operating Officer on the same day and was subsequently appointed Chief Executive Officer and a Director on the 28 November 2022.

In December 2022 Gita Samani and Edward Rumsey also resigned from the Board.

Nearing the completion of the audit, Tom Allsworth resigned as a Director of the Group on 24 May 2023.

With the appointments of Elizabeth Lake and Bob Holt, a full restructuring of the business has taken place. Areas of weakness were identified resulting in the hiring of a Data Analyst which has improved the demand planning processes. All global sales heads now report to the CEO and have been given increased accountability.

All spend on New Product Development (NPD) and capital is now formally approved through a commercial appraisal process by the CFO/CEO.

On the lifting of suspension of the Company shares on the AIM market, an award of nil cost share options will be made to the Executive Directors and senior management. For Bob Holt the bonus equates to 300% of basic pay, which translates to 5,684,210 nil cost options at the suspended share price of 19p. Elizabeth Lake will receive half this amount, 2,842,210 and senior management will receive 2,474,685 nil cost options. All awards have a one year lock in period. This represents a 3.4% dilution.

CORPORATE GOVERNANCE

The Board is committed to upholding the highest level of corporate governance and since the appointments of Bob Holt and Elizabeth Lake, the Board has taken significant measures to address the previous lack of listed company experience. The Group adopted the Quoted Companies Alliance Governance Code 2018 on listing. We believe that it is important to hold ourselves to high standards in all areas of our business and governance is no different.

Diversity, whether it be gender or ethnicity, is important to us at all levels. As the current Board becomes established, we will review the composition of the Board with the ultimate objective to be in-line with codes set out for good corporate governance.

OUR PEOPLE

I would like to take this opportunity to express my personal thanks to Bob Holt and Elizabeth Lake, who joined the Group at a particularly difficult time, and to all our employees for their enormous commitment and efforts; I understand how unsettling recent months have been for all my colleagues. Together, the whole business is now focused on developing a successful and profitable business for the benefit of shareholders and customers alike.

Derek Zissman
Chairman
26 May 2023

Chief Executive's Review

INTRODUCTION

This is my first review since I was appointed CEO on 28 November 2022. The reasons this Annual Report and Accounts have taken many months to publish has been well documented. The investigation into serious issues of governance, accounting and internal controls that arose during the course of this audit and the independent investigation the Board commissioned in September 2022, concluded in January 2023 and we have worked hard to incorporate required changes into this set of accounts within the shortest possible timeframe. In addition we have, and continue to take appropriate action to ensure the levels of governance and controls are adhered to and up to the standards expected of a UK listed plc.

I understand that this has been an unsettling period for all our stakeholders, including colleagues, shareholders, and business partners, and I am grateful for their continued support. The consequences of previous management actions have been significant and I will continue to take actions to correct these in my role as CEO.

The quality of the teams at Revolution Beauty is excellent, and there is real strength and depth within each team. The future of the Group is in good hands.

UPDATE ON INDEPENDENT INVESTIGATION

As announced on 23 September 2022, the Company's auditor wrote to the Board on 21 September 2022 to identify a number of serious concerns that had arisen during the course of its work on the audit of the Company's accounts for the FY22.

The Board appointed independent external advisors to undertake an Independent Investigation, and the Company appointed Macfarlanes (lawyers) and FRA (forensic accountants).

A number of material issues have arisen during the audit and from the Investigation and this has delayed the completion of the audited accounts.

Acquisition of Medichem Manufacturing Ltd ("Medichem")

A call option was granted on 13 July 2021, the details of which were set out in the Company's AIM Admission Document. The option was exercised in October 2021 following the completion of an independent valuation of Medichem, and the total consideration was approximately £27.5m (including payments to reflect a post completion net asset adjustment). Initial consideration of £7m was paid on completion, and deferred consideration of £19m (plus interest) remains outstanding, the remaining £1.5m is satisfied by a loan repayment that was due to Medichem from a property company owned by the Medichem seller. The deferred consideration was due in 4 equal installments of £4.75m payable annually from October 2022. As at the date of this report none of the deferred consideration has been paid.

Certain factors were identified in the investigation which may have impacted on Medichem's reported results in the financial periods prior to the acquisition. These factors were not considered by the independent valuers commissioned by the Board prior to the exercise of the call option disclosed at the IPO.

On 19 December 2022 the Company commissioned a further independent valuation. This has resulted in a new valuation which is materially lower than the original valuation.

As announced on 7 March 2023, the Board are in negotiations with the previous owner of Medichem to reach a revised agreement on the amount of consideration due and the payment terms for any further consideration payable.

Revenue recognition

The Company reached a conclusion that sales of approximately £9.6m made in February 2022 to three distributors did not represent revenue as they did not satisfy all elements of IFRS15, in particular around the extended credit terms offered being materially outside normal terms. These sales were included in the revenue figures published in the Company's FY22 pre-closing trading update on 6 May 2022.

Subsequent to the trading update, these sales have not been included in the FY22 results.

The Investigation concluded that the sales were undertaken for the purposes of meeting sales targets for FY22 and that the sales were made at the request of the Company and included stock items that were not needed by the Distributors.

The Board takes this issue very seriously and we have implemented a zero tolerance policy of pulling forward revenue. In addition, cash collection is monitored daily and customers with substantial overdue balances are put on hold until their accounts are back to operating to terms.

The Investigation also reported that between July and September 2021 two members of the Board at the time had directly or indirectly invested £1m (in aggregate) in one of the Distributors. In addition one of those Directors also provided a £0.3m personal loan to the owners of the other Distributor.

Supplier rebates and support payments

Certain irregularities around supplier rebates recognised in FY19 and then capital support payments to the same two suppliers in FY21 were identified. No cash movements happened in relation to these transactions and therefore they have been reversed as prior year adjustments, see Note 4

We are working very closely with our suppliers to deliver in year unit price savings, to avoid issues with agreeing retrospective rebates.

Inventory provisioning

A revised inventory provisioning methodology has been adopted by the Group, details are contained in Note 4. The new methodology is robust and consistent with current and historically available data, as well as consistent with the requirements of financial reporting standards.

This has resulted in significant additional inventory provision for FY22 of £11.3m (see note 19) and an adjustment to opening reserves as at 1 March 2021 of £27.2m.

The Group has been and continues to carry excess stock. The appropriate provisioning policy enables us to deal with slow moving stock more quickly and we have put in place a process for exiting excess stock going forwards. We are also tackling the input to the stock balance by reducing the number of new products going forwards to a more appropriate level and by improving our forecasting tools.

Personal loans made by Directors

Personal loans had been made by Directors to two distributors (see note above on revenue recognition), certain of the Group's Non-Executive Directors (at the time) and a number of senior managers. None of these loans were disclosed to the Board at the relevant time.

The current Board views these loans as unacceptable business practices that will not be repeated.

FY22 PERFORMANCE

Revenue

During the year, we achieved a significant increase in Group sales, up 35% to £184.6m as compared to the same 12-month period last year, with the business achieving a record fourth quarter of sales. This is a performance which has been driven by the strength of our globally balanced business – across routes to market, geographies, and an increasingly diversified category set.

We are proud of the continued progress we have made, not least given the volatility related to the pandemic and inflationary headwinds. Given this backdrop, it is testament to the hard work and dedication of everyone at Revolution Beauty that we successfully increased our global customer base from 5.7 million to 7.0 million.

In particular, it was our multi-channel presence – both in-store and online – which ensured that we were able to respond at speed to the ongoing fluctuations in consumer behaviour.

While pandemic restrictions remained in place for much of the first half of 2021, the strength of our D2C platform came to the fore. As restrictions fell away, and physical retail began to reopen, we benefitted from our strong global retail partnerships and extensive in-store distribution network across brands, categories and markets.

Our clear focus on ensuring the Revolution Beauty brand is available wherever our customers are, means that our growth was broad-based in each of our major markets. In the US, sales were £48.0m, (14 months to 28 February 2021: £35.6m, +33%) and

boosted by a major new distribution agreement with Walgreens. As for the UK, a rollout of new Makeup Revolution categories across a major UK retailer's stores saw an increase in store sales in the country by 41% to £32.1m (2021: £22.9m).

With more normalised trading conditions returning as the year progressed, alongside global retailer expansions, the Group saw growing momentum, including a record Q4 trading performance. As a result of this strong trading performance, coupled with supply chain strength and clear cost discipline, we were able to mitigate much of the impact of external headwinds.

US STORES

A sales increase of 18% compared to the same period last year further underlined US Stores as Revolution Beauty's largest division, contributing 21% of overall Group sales for the year. Key to our success in the US has been the focus on growing our presence and extending our offer amongst both new and existing retail partners, taking us to 7,000 retail locations across the US.

We had a particularly encouraging first year partnering with Target, having launched our Makeup Revolution brand across 1,800 locations in the first half. Building on this success, we further advanced this partnership as the year progressed, expanding into haircare with the launch of PLEX in 900 Target locations in February 2022.

UK STORES

Against weaker prior year comparatives, when all retail locations were closed or heavily impacted by the pandemic, our UK Stores business delivered strong sales growth of 41% as compared to the same period last year. This performance was driven by building on our longstanding relationships with our established retail partners.

Chief Executive's Review (continued)

Within a major UK retailer, we successfully launched our Makeup Revolution brand into 350 of their largest stores and displayed them in prominent locations. In addition to this, we successfully launched Plex Healthcare which subsequently led to a further 546 doors gained at the end of the year, further reflecting the success in introducing our broader product set to customers.

At Superdrug, following the successful launch of Plex Haircare in 319 stores, we were delighted to have extended the range to all 800 Superdrug stores for March 2022. In a similar vein, Revolution Skincare gained 206 new stores in October 2021.

REST OF THE WORLD STORES

Rest of the World stores tended to be slower to loosen lockdown restrictions, but once more normalised trading conditions returned, we experienced an encouraging bounce back in sales. ROW stores sales grew by 43% as compared to the same period last year. Our new Relove brand where everything is sold at under £5/\$5/€5 launched into markets traditionally more price sensitive such as Spain, Czech and India. The Haircare category was also one that saw great new opportunities launching across 24 countries in FY22.

DIGITAL PARTNERSHIPS & DIRECT TO CONSUMER ("DTC")

Our online presence – via both Direct to Consumer and our Digital Partners – ensured that we maintained strong brand visibility and trading, especially during the first half of the year, when physical retail sales remained impacted by the pandemic.

While our digital performance inevitably experienced some impact following the easing of pandemic restrictions, we nonetheless achieved increased digital sales by 3% as compared to the same period last year.

Our own DTC proposition, via localised sites at revolutionbeauty.com, grew our contactable database by 41% (with active customers increasing by 9%).

We continued to grow our brand across all of the key third party sites. In our largest partner, we are the number 1 mass cosmetics brand on the site.

BRAND, PRODUCTS AND CATEGORIES

Inherent to the strength of Revolution Beauty is the diversity and inclusivity of its brands and sub-brands.

Throughout the year, we further strengthened our brand position amongst our target 16–35-year-old demographic, maintaining a clear focus on prestige quality at outstanding prices.

We continued to successfully identify key trends early through social media, consumer and retailer engagement. Our lean, efficient and scalable supply chain saw us successfully launch innovative new products at speed – typically taking 16 weeks from design to development – a much shorter lead time compared to global competitors.

This approach of rapidly launching quality and affordable products, supported by powerful influencer marketing, has seen us achieve strong growth across all categories:

MAKEUP

Our makeup category dominates the revenue of the Revolution Group and Makeup Revolution continues to drive sales growth above the total group level at 34% above the 12 months to 28 February 2021. This is driven through the expansions in our core regions of the US and UK. Our growth is also being driven by product innovation in the areas traditionally dominated by legacy mass brands –

such as mascaras which were +74%. This category will continue to be a focus for us as we move forward.

SKINCARE

Skincare at 20% growth continued to grow in FY22 even with some strong pandemic consumer behaviour trends. In Feb FY22 we launched our Ceramides and Tanning ranges with UK distribution both digitally and globally. The beginning of FY23 has been promising on this category with the viral product launches of Sali Hughes and Miracle Cream.

HAIRCARE

Haircare had a strong H2 in FY22 with the global launch of Plex. The product range has remained in our top 10 products on our DTC website since launch and is now listed in 25 countries. We continue to remain excited by what this category can deliver.

FRAGRANCE

Fragrance was a Q3 launch for us in FY22 with our Test and Learn Digital strategy – we offer great quality Fragrances with high end scents at a fraction of the cost. The success of the launch means it moves into our Adapt and Learn phase and will be launching into physical retail in FY23.

MAN

A new category for men was launched in April 2022 under "Revolution Man". Currently the range includes skincare and shaving products.

SOCIAL MEDIA MARKETING STRENGTH

Social media has remained an essential and differentiating part of Revolution Beauty's marketing strategy. During the year, the Group grew its global community of followers across social platforms to 7.0 million (Feb 2021: 5.7 million), generating billions of impressions.

We have an engaged community of followers across social media, with Tik Tok remaining the platform we have remained focused on driving growth. Make up Revolution is one of the fastest growing beauty brands on Tik Tok. Our strength on TikTok was enhanced during the year via new collaborations with both high profile and micro influencers.

Within the year we also ran the Biggest Beauty Campaign for Tik Tok called Creator Revolution – seeking to find the next global beauty stars. This was the second time we have partnered with Tik Tok in this way, and the campaign was successful, generating 4.7 billion views across the channel.

ACQUISITIONS

In October 2021, we completed the acquisition of Medichem Manufacturing Ltd (renamed Revolution Labs Limited) for a total consideration of £27.5m. This is a UK-based skincare and haircare manufacturer which has brought manufacturing in-house for the first time and enabled Revolution Beauty to achieve vertical integration in this product category.

Following the findings of the Investigation and a potential revaluation of Medichem commissioned by the Board in December 2022, the Board is in negotiations with the previous owner of Medichem to reach a revised agreement on the amount of

consideration due and the payment terms for any further consideration payable. A deed of variation to the original sale and purchase agreement has been signed confirming that no consideration will be demanded until 21 October 2025.

In addition, in February 2022, the Group acquired the IP and some inventory of BH Cosmetics for US\$4.5m (£3.5m). At the time the decision was made a large US retailer were stocking BH Cosmetics, however after the acquisition of the stock, the brand was delisted by the retailer. The brand has complementary products such as eyelashes and accessories and the brand will be developed in these areas and is performing well in certain markets such as Germany.

POST-PERIOD AND CURRENT TRADING

Post period end, the inflationary environment was set to remain for some time, and we remain mindful of any associated impact on consumer spending. Nonetheless, we believe that we have the right strategy, people and customer offering to continue to thrive.

In a further sign of the appeal of our offer to US consumers, we successfully confirmed post period end in May 2022 that we will be launching Make Up Revolution in Walgreens, with 2,800 stores across the US.

OUTLOOK

Subsequent to the conclusion of the Independent Investigation the Group has been in a position to ensure that the highest levels of governance are in place. Integrity and honesty in every aspect of our business is paramount. We continue to develop value creating strategies aimed at sustained growth.

The culture of the business continues to be based on providing affordable beauty on a global scale, and we continue to be well positioned in the current environment, able to act swiftly to changing consumer trends. Under the new management team we have been focused on resetting internal controls and processes to ensure that we are in a position to achieve consistent operational excellence at a global scale, and in line with the standards of a UK plc.

I thank all our Revolution teams around the world for their significant commitment as we move the company to achieve its full potential within the growing beauty market.

Revolution is a much-loved brand and we have strong distribution networks with our partners. I believe that we have the right strategy, people and customer offering to thrive, and we have been making the necessary changes to build a business for the long-term. We have sufficient liquidity and continue to enjoy the support of our banking partners, and we are focused on delivering sustainable growth for all our stakeholders.

We are confident as we look ahead and will provide a current trading update alongside the interims to the 31 August 2022 which will be published shortly after this annual report. The current year FY24 has started positively with sales, adj. EBITDA and cash tracking ahead of management's forecasts.

Bob Holt OBE

Chief Executive Officer
26 May 2023

Strategy

Our Multi-Channel Business Model

The Group identifies early trends in the market through its influencers, consumers and retail channels. This direct consumer feedback and close following of trends enables the Group to leverage its competitive advantage in bringing products to market within 16 weeks, making it more agile and responsive than most of its competitors.

1	IDENTIFY A NEW PRODUCT OR CONSUMER TREND	The Group's brand and product teams identify a new consumer trend, ingredient or product concept that will go into development.
2	PRODUCE THE BEST PRODUCT AT GREAT VALUE	The product is designed and formulated with our UK and overseas manufacturers and packaging partners, with a focus on producing the best quality product at an affordable end-price to consumers.
3	LAUNCH THAT PRODUCT THROUGH OUR MULTI-CHANNEL PLATFORM	The go-to-market strategy for the product is managed by the Group's commercial, sales and brand teams. They determine the right pricing, distribution and promotional activities.
4	USE DIGITAL AND SOCIAL MEDIA TO DRIVE CONSUMER AWARENESS	The product is launched primarily on the Group's digital channels and social media platforms to drive consumer awareness and receive consumer feedback.
5	GATHER INSIGHT, REACT TO FEEDBACK RECEIVED AND ADAPT THE PLAN	The Group gathers market data and adapts the plan accordingly. Once the feedback is positive, the product will be rolled out globally.

Our Five Strategic Pillars

KEY STRATEGIC PILLARS

By focusing on these important areas of the business we will continue to grow consumer, retailer and brand visibility in all of our major regions across the world.

Our strategic pillars help us plot out our pathway to growth.

1. MULTI CHANNEL PLATFORM

Our multi-channel platform is made up of c.14k retail stores, and distributors across 42 countries and a digital business that ships to over 100 countries worldwide. The strength of our infrastructure, with three global warehouses alongside three DTC hubs, allows us to support our key regions locally.

2. NEW PRODUCT INITIATIVES

Product is at the heart of our business. We believe that beauty should be accessible to all and that quality and trend aren't a compromise for great value. We use our digital-first strategy to test trend-led products fast and in the first instance online. The Revolution brand successfully plays across multiple beauty categories – with Revolution Makeup, Skincare and Haircare.

3. CONSUMER OBSESSED MINDSET

The Group's consumer demands and needs are very important and a strong understanding as to how these change allows us to adapt accordingly. The Group engages and listens to its 7 million strong community and challenges itself to do better every day.

4. LOCAL FIRST APPROACH

To be a truly successful global brand, location is key. We aim for Revolution to be spoken in local accents, where local insights are understood and localised marketing strategies have been built. The local teams are being empowered and given responsibility to manage their regions.

5. COMMITMENT TO TEAM REVOLUTION

Attracting and retaining diverse talent is in the Group's DNA, alongside building a collaborative culture. The aim is to embody a culture where people are empowered, with this central to its strategy.

Key Performance Indicators

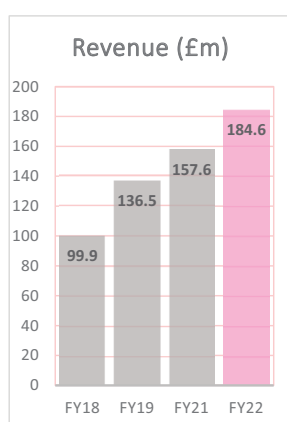
Revolution Beauty Group selected a set of Key Performance Indicators (“KPIs”) to monitor the financial and strategic performance of the business. The Group believes that the KPIs provide useful and necessary information on underlying trends to shareholders and the investment community, while also being used by the Group for internal performance analysis.

FINANCIAL KPIs

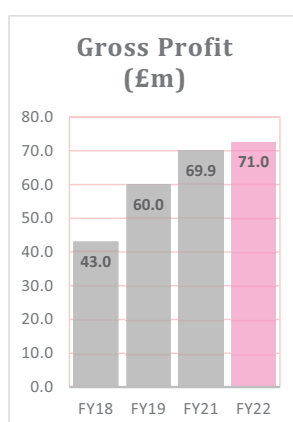
The key financial measures used by the Group are set out as below.

It should be noted that as a result of prior year adjustments for stock provisions and stand impairments (that have not been posted back into the prior periods because of impracticability), the prior year numbers in the graphs should be viewed with caution.

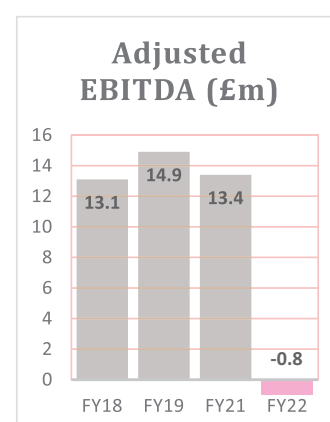
In some cases, the figure is an alternative performance measure, and not a statutory measure. Due to a change in the accounting reference date, FY21 consists of 14 months to 28 February 2021. Adjusted EBITDA is defined as operating profit adjusted for depreciation and amortisation, impairments and reversals of impairment, and other adjusting items stated in Note 4 to the Group financial statements.



Revenue is recognised when control of the goods is transferred to the customer. Refer to Note 2 to the Group financial statements on revenue recognition.



Gross Profit represents revenue less cost of sales including inbound freight and duty.



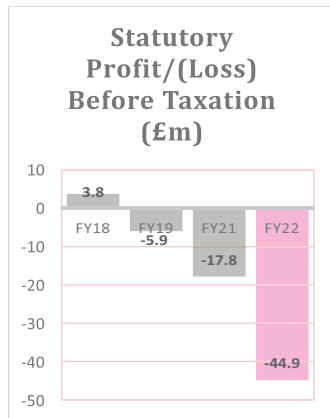
Adjusted EBITDA represents earnings before depreciation, amortisation and exceptional items.

FY22: 12 months to 28 February 2022

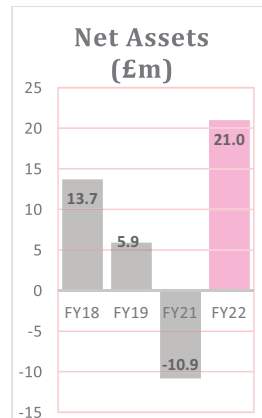
FY21: 14 months to 28 February 2021

FY19: 12 months to 31 December 2019

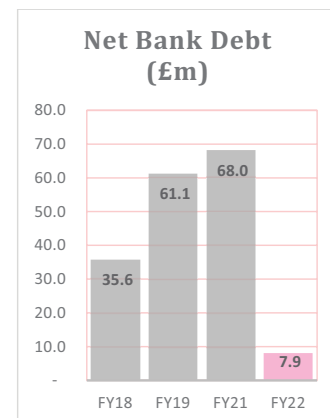
FY18: 12 months to 31 December 2018



Statutory Profit/(Loss) Before Taxation represents Operating Profit/(Loss) after financing costs.



Net Assets represents total assets less total liabilities.



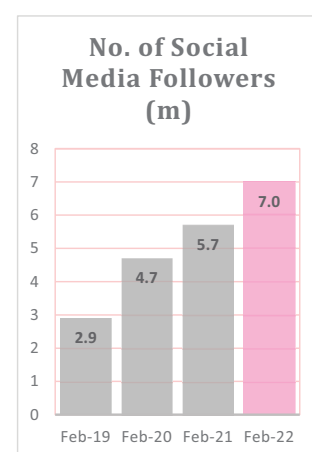
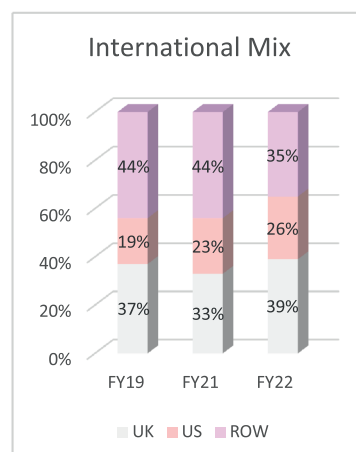
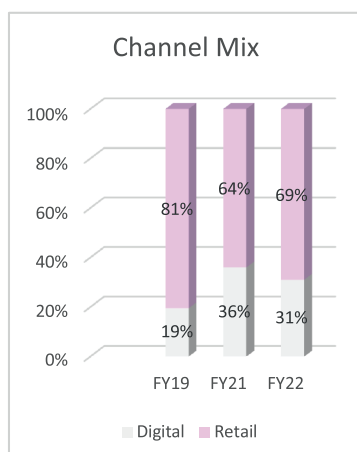
Net debt represents total borrowings less total cash & cash equivalents.

STRATEGIC KPIs

Herewith are the five strategic KPI's we use to manage the business for future growth.

By focusing on these important areas of the business, we will continue to grow our community, store numbers and consumers. This will create brand visibility in our major regions across the world.

The strategic KPIs set out on this page are used to measure the Group's progress year-on-year against those strategic priorities.



Financial Review

OVERVIEW

Following the admission of Revolution Beauty Group plc to AIM, the Group reports its consolidated financial statements under UK adopted International Accounting Standards. In addition, the Group changed its financial year-end to February as this was seen as a more appropriate financial year-end given the importance of the Q4 trading period.

Throughout this document, the comparative period 2021 or FY21 consists of 14 months to 28 February 2021 due to the change to the

Group's accounting reference date as mentioned above, unless stated otherwise.

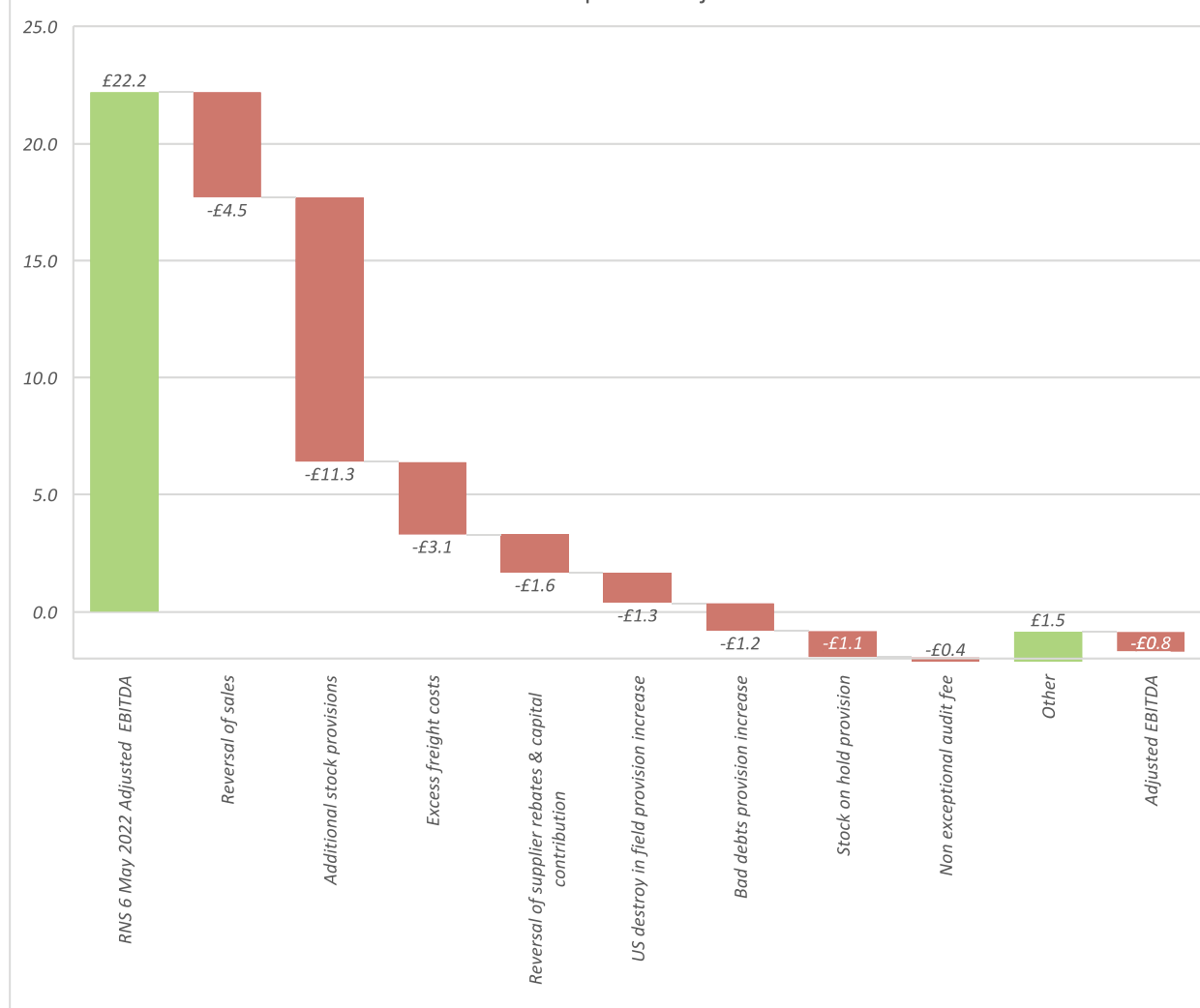
Four errors have been identified in the prior year numbers and have been corrected in the comparison. These are detailed in Note 4 and relate to capital support, rebates, borrowings and shareholder loan classification.

In addition, two errors were identified which have been deemed to be impracticable to retrospectively adjust the comparative information, under IAS8. The Group has restated the

opening balances of assets, liabilities and equity for the earliest period for which retrospective restatement is practicable, which is at 1 March 2021. The details of which each of these adjustments are explained in Note 4, and relate to stock provisioning and stand impairment.

These have had a material effect on the reported adjusted EBITDA when compared to the pre-audit adjusted EBITDA announced on 6 May 2022 of c.£22m. The bridge below explains the changes that have resulted in the adjusted EBITDA loss of -£0.8m.

Reconciliation of final reported adjusted EBITDA FY22



Distributor revenue

The adjustment to remove the EBITDA from distributor revenue is due to the transactions in February 2022 with the Czech and Indian distributors falling outside of IFRS15 revenue recognition. This comprises the removal of the margin and the cost of the stock which was shipped but has not been paid for.

The Independent Investigation found that the nature of these orders were irregular, not needed by the distributor and in certain cases the stock hadn't been received. This is further addressed in the outcome of the Independent Investigation.

The new stock provisioning methodology has resulted in a further charge of £11.3m to the P&L in FY22 post the May 22 announcement, see note 3.

Excess freight costs

During the year freight costs were unusually high due to the impact on freight charges of the pandemic, and management have estimated the impact to be c.£3.1m, previously management had included this in exceptional costs and therefore not within adjusted EBITDA in the announcement on 6 May 2022.

Supplier rebates

As mentioned in note 4, the Independent Investigation identified irregularities around supplier rebates in FY19 and capital support payments in FY21. No cash movements happened in relation to these transactions and therefore they have been reversed as a prior year adjustment.

US exit from CVS

In January 2022 the decision was taken in the US to exit CVS following poor performance due to the location of the brand in store. A provision was therefore needed to cover the costs of markdowns and stock that would subsequently need to be written down.

This was assumed to fall into FY23 in the announcement in May, however as the decision was taken during FY22 it is recognised in the FY22 results.

Bad debts

Following a review of the debtors ledger and the time taken to pay by a number of distributors, the bad debt provision has been increased to reflect the expected credit losses.

Stock on hold

The provision for stock on hold relates to the liabilities for finished goods and materials relating to cancelled orders due to the Covid-19 pandemic. This is management's best estimate of the unavoidable costs in meeting the obligation under these contracts.

INDEPENDENT INVESTIGATION

As announced on 23 September 2022, the Company's auditor wrote to the Board on 21 September 2022 to identify a number of serious concerns that had arisen during the course of its work on the audit of the Company's accounts for the FY22. The outcome of the Investigation was announced on 13 January 2023.

The Board appointed independent external advisors Macfarlanes (lawyers) and FRA (forensic accountants) to undertake an independent investigation.

A number of the financial accounting issues arising from the audit and the Investigation has delayed the completion of these audited accounts.

Acquisition of Medichem Manufacturing Ltd ("Medichem")

Certain factors were identified which may have impacted on Medichem's reported results in the financial periods prior to the acquisition of Medichem. These were not considered by the independent valuers commissioned by

the Board prior to the exercise of the call option disclosed at the IPO.

On 19 December 2022 the Company commissioned a further independent valuation, which resulted in a new valuation which is materially lower than the original valuation.

The Board are in negotiations with the previous owner of Medichem to reach a revised agreement on the amount of consideration due and the payment terms for any further consideration payable. A deed of variation to the original sale and purchase agreement has been signed confirming that no further consideration will be demanded until 1 January 2025, as announced on 7 March 2023.

Revenue recognition

The Company reached a conclusion that sales made in February 2022 to three distributors did not represent revenue as they did not satisfy all elements of IFRS15, in particular around the extended credit terms offered being materially outside normal terms, and in some instances, stock not being delivered.

It was found that sales in February 2022 were materially higher than any other month in the financial year and two members of the Company's board at the time (Adam Minto and Tom Allsworth) made personal loans or other investments to one of the distributors, with Adam Minto also making a personal loan to one of the other distributors (none of which was disclosed to the PLC board). It was found that these orders were not needed by the distributors at the time.

These sales have not been included in the FY22 results.

Supplier rebates and support payments

Certain irregularities around supplier rebates recognised in FY19 and then capital support payments to the same two suppliers in FY21 were identified.

Financial Review (continued)

No cash movements happened in relation to these transactions and therefore all the transactions have been reversed as prior year adjustments, see Note 4.

No material issues were revealed that are expected to affect the business going forward.

Inventory provisioning

A revised inventory provisioning methodology has been adopted by the Group. The new methodology is robust and consistent with current and historically available data, as well as consistent with the requirements of financial reporting standards.

This has resulted in significant additional inventory provision for FY22 of £11.3m. In addition an adjustment to opening reserves of £27.2m as at 1 March 2021 has been made, due to practical limitations to retrospectively adjusting the comparative information under accounting standards. Details of this adjustment and the reasoning are in Note 4.

The Group previously assessed the recoverability of inventory balances solely by reference to sales in the 12 months prior to the reporting date for each product, and in addition the provision applied to SKUs which were assessed to be slow moving did not consider the cost incurred selling them. The following additional considerations, have been applied in assessing and correcting the provision for the prior year:

- Inclusion of costs expected to be incurred in selling inventory in the future when assessing the net realisable value of a product and the point at which slow moving inventory can no longer be sold above cost.

- The assessment of slow-moving inventory excludes inventory launched in the last twelve months. No provision is applied to SKUs where inventory cover is 12 months or less. Where a SKU has more than 12 months inventory cover a provision of 50% is applied to inventory expected to sell in months 13-24 and 100% to inventory expected to sell thereafter.
- An additional slow-moving provision has been made over new products developed or launched within the 12 months prior to the reporting date, based on the historic sales performance of all newly developed products purchased in the previous three years.

Whilst these considerations have been identified as not being correctly considered in assessing the inventory provision in prior years, the impact of the COVID-19 pandemic on sales volumes and prices, as well as it being unclear to the new management team what information was available, or should have been available, at the time the previous financial statements were issued made it impracticable to accurately assess the period-specific effects of the errors in the provision on the comparative information presented.

An appropriate adjustment has been made and the new methodology is being followed monthly by the Group.

Personal loans made by directors

Concerns were raised with respect to personal loans made by Adam Minto and Tom Allsworth to senior managers of the Group, non-executive directors (at the time) and an employee of the Group, in addition to the distributors noted above. None of these loans we're discussed to the Revolution Beauty Board at the relevant time

Independent Investigation conclusion

The investigation committee, which was headed up by myself and Derek Zissman, takes these findings very seriously and have been working to address all concerns raised as part of the Investigation and audit process. We will ensure that the Group will adhere to the regulation expected of a listed company and all processes all monitored extremely closely and well documented

REVENUE

	Year ended 28 February 2022 £'M	14 months ended 28 February 2021 As restated £'M	Change £'M	%
Revenue	184.6	157.6	27.0	17%
Adjusted EBITDA	(0.8)	13.4	(14.2)	(106%)

Revenue during the year was up by £27.06m or 17% to £184.6m (2021: £157.6m) primarily driven by increases across all the Group's distribution channels and reporting regions. If compared with the same period last year, total revenue increased by 35% (12 months to 28 February 2021: £136.7m).

Adjusted EBITDA for the year ended 28 February 2022 decreased by £14.2m or 106% to a loss of -£0.8m (profit 2021: £13m). Adjusted EBITDA decreased by 107% (12 months to 28 February 2021: £12.2m) if compared with the same period last year.

The Group acquired Medichem (now known as Revolution Beauty Labs Ltd) during the financial year and the results were included in the Group consolidation from 13 July 2021, the date at which the Group is assessed to have gained control over the company.

	Year ended 28 February 2022 £'M		14 months ended 28 February 2021 As restated £'M		Change £'000	%
By business channel:						
Digital	58.0	31%	56.1	36%	1.9	3%
Stores	126.6	69%	101.5	64%	25.1	25%
Total revenue	184.6	100%	157.6	100%	27.0	17%
By region:						
UK	71.5	39%	69.2	44%	2.3	3%
US	48.0	26%	35.6	23%	12.4	35%
ROW	65.1	35%	52.8	33%	12.3	23%
Total revenue	184.6	100%	157.6	100%	27.0	17%

As shown in the table above, Group revenue increased by £27.0m to £184.6m in the year ended 28 February 2022 (2021: £157.6m). This revenue growth was achieved during a year in which both the US and UK retail markets suffered lockdowns and closures as a result of COVID-19 restrictions being implemented.

Store revenue increased by £25.1m or 25% to £126.6m (2021: £101.5m).

An increased number of customers returned to the stores when Covid-19 related trading restrictions were lifted and this resulted in a lower growth in digital sales in the year compared with the prior year. The full impact from THG Ingenuity partnership, which was formed in late 2020, contributed further sales to the Group.

Previously the Group had reported non-audited revenue of c.£194m. As previously disclosed, there was an issue with revenue recognition relating to the Groups Czech and Indian suppliers which resulted in a reduction to revenue of £9.6m.

Financial Review (continued)

PROFITS

	Year ended 28 February 2022 £'000	14 months ended 28 February 2021 As restated £'000	Change £'000
Gross profit	71,028	69,917	1,111
Marketing and distribution costs	(49,546)	(43,795)	(5,751)
Administrative expenses	(35,038)	(35,575)	537
Impairment losses on financial assets	(1,428)	(388)	(1,040)
Impairment of property, plant and equipment	(1,948)	–	(1,948)
Impairment of goodwill	(13,000)	–	(13,000)
Exceptional item – IPO costs	(8,936)	–	(8,936)
Other income	5	385	(380)
Operating loss	(38,863)	(9,456)	(29,407)
Net finance costs	(6,034)	(8,304)	2,270
Loss before taxation	(44,897)	(17,760)	(27,137)
<i>Gross profit margin</i>	38.5%	44.4%	(5.9)ppt

Gross profit margin for the year ended 28 February 2022 decreased from 44.4% to 38.5%. The margin was negatively impacted by a stock provision charge in the FY22 margin of £11.3m with no additional change in margin in FY21 as the adjustment to the historic stock provision has been made in opening reserves of FY22 (see Note 4). Included in the £11.3m is a stock write off relating to the transactions with the Czech and Indian distributors that did not constitute sales (see note 4). The P&L movement is unusually high in FY22 due to historic stock issues.

Whilst there will be ongoing changes to the stock provision based on NPD, NRV and slow moving stock, the movement between FY21 and FY22 is significant due to £27.2m prior year errors in the methodology which have been recorded through opening reserves.

In addition, the margin was impacted negatively by the higher freight costs experienced in the year due to the pandemic, with the total freight charges recognized in the Income Statement being materially higher than in previous periods, c.£3.1m.

The margin was also impacted by the provision for stock on hold relating to the liabilities for finished goods and materials relating to cancelled orders due to the Covid-19 pandemic. This is management's best estimate of the unavoidable costs in meeting the obligation under these contracts at £1.1m.

All of these have had a significant impact on the margin in FY22.

Operating loss for the year ended 28 February 2022 of £38.9m increased by £29.4m (2021: £9.5m). This was primarily due to a £13.0m impairment of goodwill arising from the acquisition of Medichem and exceptional IPO related costs of £8.9m. Administrative costs include marketing costs to drive store expansion and further investment in the brand.

Finance costs of £6.0m were lower by £2.2m (2021: £8.3m). This was largely driven by the fact the Group settled its existing debt using the proceeds raised from new equity issued upon its IPO earlier in the year. Full details of the changes to the Group's debt agreements and the associated terms during the year are set out in Note 23 to the financial statements.

Loss before taxation for the year increased to £44.9m (2021: Loss before taxation £17.8m).

TAXATION

The Group's tax expense decreased by £1.3m primarily due to tax refunds totalling £1.6m arising from historic overpayments and loss carry back.

LOSS AFTER TAXATION

Loss after taxation increased to £43.7m (2021: Loss after taxation £17.8m).

ADJUSTED PROFITS

The Group uses a number of Alternative Performance Measures ("APMs") in addition to those measures reported in accordance with IFRS. Such APMs are not defined terms under IFRS and are not intended to be a substitute for any IFRS measure. The Directors believe that the APMs are important when assessing the underlying financial and operating performance of the Group. Full details of the exceptional charges incurred during the year are presented in Note 5 to the financial statements.

The exceptional items identified as non-recurring in nature are set out below and were considered in calculating the adjusted profits.

	Year ended 28 February 2022 £'000	14 months ended 28 February 2021 As restated £'000	Change £'000
Operating loss	(38,863)	(9,456)	(29,407)
Depreciation, amortisation & impairment	22,560	14,634	7,926
Share-based payment	3,534	741	2,793
Exceptional items:			
IPO related costs	8,936	–	8,936
Acquisition costs	621	–	621
Restructuring costs	261	963	(702)
Release of prepaid retailer stand contribution		1,054	(1,054)
Early termination contract costs		2,782	(2,782)
Normalised January marketing costs due to year end change		2,255	(2,255)
Non-recurring stock write downs		454	(454)
Audit Fees	2,150	–	2,150
Total exceptional items added back	11,968	7,508	4,460
Adjusted EBITDA	(801)	13,427	(14,228)

Adjusted EBITDA decreased by £14.2m to a loss of -£0.8m during the year (2021 profit: £13.4m). The exceptional items added back to arrive at Adjusted EBITDA include IPO related costs of £8.9m and exceptional audit fees of £2.2m arising from additional work required arising from the issues identified in the Investigation. In addition, certain transaction costs associated with the Group's acquisition of Medichem and the purchase of BH Cosmetics assets are included as exceptional items. The Group also incurred restructuring costs arising from the removal of certain roles and the costs associated with them.

There is also an impairment of goodwill arising from the acquisition of Medichem, of £13.0m.

Financial Review (continued)

The non-recurring items included in the Adjusted EBITDA for the 14 months period ended 28 February 2021 comprised £2.3m of marketing costs, £2.8m of early contract termination costs and £1.1m release of prepaid retailer stand contribution.

FINANCIAL POSITION AND RESOURCES

	As at 28 February 2022 £'000	As at 28 February 2021 £'000	Change £'000
Intangible assets	9,837	4,657	5,180
Property, plant and equipment	8,215	21,883	(13,668)
Right of use asset	4,150	1,065	3,085
Trade and other receivables	–	540	(540)
Non-current assets	22,202	28,145	(5,943)
Current assets excluding cash	101,401	103,221	(1,820)
Liabilities excluding borrowings	(94,654)	(68,230)	(26,424)
Cash and cash equivalents	15,619	5,581	10,038
Borrowings	(23,551)	(79,605)	56,054
Net debt	(7,932)	(74,024)	66,092
Net assets	21,017	(10,888)	31,905

NON-CURRENT ASSETS

The Group states property, plant and equipment at cost, less depreciation or provision for impairment. Non-current assets as at 28 February 2022 reduced to £22.2m (2021: £28.1m), mainly due to the impairment of retail stands (details are set out in Note 4). In the period the group recognised identifiable intangibles and residual goodwill arising from the acquisition of Medichem of £24.7m (full details of which are set out in Note 32 to the financial statements) and the purchase of BH cosmetics intellectual property and inventory for US\$4.5m or £3.5m. An impairment provision of £13.0m has been made against the goodwill arising from the acquisition of Medichem (full details are set out in Note 16).

CURRENT ASSETS

Current assets reduced to £101.4m as at 28 February 2022 (2021: £103.2m). The inventory balance was significantly lower at £44.7m (2021: £63.3m) which was due to the level of inventory provisions (see note 4 for explanation). Offsetting this was an increase in Trade Receivables of £15.6m consistent with the impact of distribution expansion and higher sales. As the US business has grown, there is an impact on trade debtor balances caused by typically longer payment terms.

LIABILITIES

The increase in total liabilities excluding borrowings as at 28 February 2022 of £26.4m relates mainly to the deferred consideration of £18.4m in relation to the acquisition of Medichem. As referred to in the Chief Executive's Review, the Board are in negotiations with the previous owner of Medichem to reach a revised agreement on the amount of consideration due and the payment terms for any further consideration payable.

In addition the Group entered a lease for office space creating an additional rental liability of £3.5m, and trade payables increased £3.7m.

LIQUIDITY

At 28 February 2022, the Group had £15.6m cash and £16.0m of undrawn and committed facilities available, comprising revolving credit facilities. Gross borrowing amounted to £24.0m which was drawn under the £40.0m of secured bank facilities.

The face value of the Group net debt is £8.4m. The reported net of £7.9m is after deducting £0.5m of prepaid fees. These figures exclude the deferred consideration.

BANKING FACILITIES

As at 28 February 2022 the Group had a £40.0m RCF in place. In September 2022, the Group breached its facility agreement as a result of not publishing its audited accounts by 31 August 2022. Following on from this, there has been uncertainty as to what the adjusted EBITDA numbers would be for FY21 and FY22, until these statements were finalised. Therefore, the Group was unable to certify its results to the Banks. As a result, the banks agreed a short term liquidity covenant and the facilities operated under this arrangement until a new suite of covenants was agreed on 29 March 2023 with the first quarterly test at the end of May 2023. As at the date of signing this report, the Group has an amended and restated credit facility of £32.0m of which the full £32.0m is drawn and has cash balances of c.£11.0m as at the end of April which provides sufficient liquidity to the Group for its current requirements.

Due to the qualifications in the audit report, the Group received a waiver from its banking partners prior to the signing of the financial statements for the provision in the RCF which classifies a qualified audit opinion as an Event of Default. Therefore, the Group remains within all the requirements of the facility agreement, see note 2.

CASH FLOW

	Year ended 28 February 2022 £'000	14 months ended 28 February 2022 £'000	Change £'000
Net cash (used in) generated from operations	(17,841)	4,573	(20,587)
Income tax	(890)	17	(907)
Net cash generated from operating activities	(18,731)	4,590	(21,494)
Purchase of intangible assets	(3,066)	(686)	(2,380)
Purchase of property, plant and equipment	(4,968)	(9,923)	3,673
Purchase of subsidiary	(6,630)	–	(6,630)
Others	(509)	–	(509)
Net cash used in investing activities	(15,173)	(10,609)	(5,846)
Interest paid	(5,000)	(4,594)	(34)
Drawdown of borrowings	29,000	16,949	15,798
Repayment of borrowings	(78,665)	(13,958)	(69,379)
(Repayment)/Proceeds of debt instruments	(6,000)	6,000	(12,000)
Issue of new shares	105,775	–	105,775
Others	(983)	(1,553)	570
Net cash generated from financing activities	44,127	2,844	40,730
Net increase/(decrease) in cash during the year	10,223	(3,175)	13,390

Financial Review (continued)

ISSUE OF NEW SHARES

In conjunction with the Company's IPO, new shares with a total value of £105.8m were issued at £1.60 per share during the year. The IPO also involved the repayment of borrowings amounting to £82.4m.

ACQUISITION OF MEDICHEM

In July 2021, the Revolution Beauty Group was granted a call option to acquire 100% of the issued share capital of Medichem. The Group exercised the call option in October 2021. Total purchase consideration of £27.5m comprises an initial cash consideration of £7.0m which was paid in October 2021, with the balance of £20.5m to be paid in 4 equal instalments from October 2022 net of the repayment of a £1.5m loan from Medichem to a company owned by the seller of Medichem. As at the date of signing the Board are in negotiations with the previous owner of Medichem to reach a revised agreement on the amount of consideration due and the payment terms for any further consideration payable. Since the year end, a deed of variation to the original sale and purchase agreement has been signed confirming that no consideration will be demanded until 21 October 2025.

DIVIDEND

No ordinary dividends were paid during the year under review. The Directors do not recommend payment of a final ordinary dividend for the year (2021: £nil). Consistent with the guidance provided at IPO, the Group does not envisage paying dividends in the foreseeable future and intends to re-invest surplus funds in the development of the Group's business.

Our Stakeholders

SECTION 172 STATEMENT

We believe that considering our stakeholders in key business decisions is not only the right thing to do but is fundamental to our ability to drive value creation over the longer term. Now, as we enter a new financial year in the midst of recovering from significant corporate governance issues and the impacts they have had on the business, balancing the needs and expectations of our stakeholders has never been a more important or challenging task.

Our Board of Directors are bound by their duties under the Companies Act 2006 (the “Act”) to promote the success of the company for the benefit of our members as a whole taking into account the factors listed in section 172 of the Act. In doing so, however, they must have regard for the interests of all of our stakeholders, to ensure the long-term sustainability of the Company. The Board is therefore responsible for ensuring that it fulfils its obligations to those impacted by our business, in its stakeholder consideration and engagement.

How the Directors discharge this core duty is a central theme of the Strategic Report, in so doing, they have considered and will continue to consider each of our key stakeholder groups and have regard to each of the matters set out in Section 172(1)(a) to (f) of the Act:

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

The information provided on these pages for FY22 includes the first few months of the last financial year that were overseen by the pre-IPO directors (Tom Allsworth and Adam Minto, as well as the Board of Revolution Beauty with effect from July 2021 (the date of the IPO).

Since the year end all three of the Executive Directors and two of the Independent Non-Executive Directors have stepped down from the business. The new Executive Directors and the remaining Non-Executive Directors are mindful of the significance of matters under their consideration from the point of view of materiality to stakeholders.

The ongoing sustainable success of Revolution Beauty is dependent on its relationship with a wide range of stakeholders, including consumers, employees, customers, suppliers, banking partners and investors. Engagement with our shareholders and wider stakeholder groups plays an essential role throughout the Group’s business. Given the issues identified earlier in the annual report, and the resulting suspension from AIM, communications with some key stakeholders have been more challenging as we have had to balance the ongoing Investigation requirements with the understandable need for information from all our stakeholders. We are aware that each stakeholder group requires a tailored engagement approach in order to foster effective and mutually beneficial relationships. Our understanding of stakeholders is then factored into Boardroom discussions, regarding the potential long-term impacts of our strategic decisions on each group, and how we might best address their needs and concerns. The Board understands that it is not always possible to provide positive outcomes for all stakeholders and therefore, sometimes must make decisions based on the competing priorities of stakeholders however the Board acts in the best long-term interests of the Company and its stakeholders generally.

In addition, effective engagement with stakeholders at Board level and throughout our business is crucial to fulfilling Revolution Beauty’s purpose.

While the importance of giving due consideration to our stakeholders is not new, we are taking the opportunity this year to explain in more detail how the Board engages with our stakeholders. We keep in close contact with investors, employees,

Our Stakeholders (continued)

customers, suppliers and local communities so we are aware of their views. This ensures we can appropriately consider their interests in decision making.

Throughout this Annual Report, we provide examples of how we:

- Take into account the likely consequences of long-term decisions;
- The interests of the Company's employees;
- The need to foster the Company's business relationships with suppliers, customers and others;
- Understand our impact on our local community and the environment;
- The desirability of the Company maintaining a reputation for high standards of business conduct; and
- The need to act fairly as between members of the Company.

This section serves as our section 172 statement and should be read in conjunction with the Strategic Report and the Company's Corporate Governance Statement. Section 172 of the Companies Act 2006 requires Directors to take into consideration the interests of stakeholders in their decision making. The Directors continue to have regard to the interests of the Company's employees and other stakeholders, including the impact of its activities on the community, the environment and the Company's reputation, when making decisions. Acting in good faith and fairly between members, the Directors consider what is most likely to promote the success of the Company for its members in the long term.

The principles underpinning section 172 are not only considered at Board level, the differing interests of stakeholders are taken into consideration by management when making wider business decisions. The Board regularly reviews our principal stakeholders and how we engage with them. The stakeholder voice is brought into the Boardroom throughout the annual cycle through information provided by management and also by direct engagement with stakeholders themselves. The relevance of each stakeholder group may increase or decrease depending on the matter or issue in question, so the Board seeks to consider the needs and priorities of each stakeholder group during its discussions and as part of its decision making.

With the impact on the business of the corporate governance failures, the Board is continually re-assessing and analysing its business strategy with the key focus being minimising the impact on critical work streams, ensuring business continuity and conserving cash flows. As such, increased stakeholder engagement and open communication have become increasingly important in decision making for the Board. Specific related items have been added to our Board meeting agendas and we have continued to hold additional Board meetings to gain the Board's continued insight and experience in helping the business to manage the situation in a way that respects our people, our customers, our stakeholders and the environment.

Key decisions taken during the year following consultations with key stakeholders include:

- Restructuring of the Board to bring in members with listed company experience and ensure corporate governance is top of the agenda.
- Key senior management structure in place, incentivised to deliver the Group strategy and results.
- Introduction of processes around stock to ensure there is an exit route for excess stock, that the stock in the pipeline is forecast more accurately using available data, and the correct level of provisioning is applied.
- Reduction in the level of New Product Development (NPD) to focus on fewer, better product launches.
- Introduction of more rigorous processes for cash collection and payments to suppliers, providing a partnership basis to these relationships.

- New banking covenants agreed with banking partners to secure the Group's cash requirements
- Review of the Group's profitability to identify loss making sub categories and brands, and action the exits.
- Cost savings initiative to right size the business cost base to align better with revenue growth.

The table below acts as our s172(1) statement by setting out the key stakeholder groups, their interests and how Revolution Beauty has engaged with them over the reporting period. However, given the importance of stakeholder focus, long-term strategy and reputation, these themes are also discussed throughout this Annual Report.

Stakeholder	Their Interests	How we engage	2022 Highlights
Our employees	• Training, development and career prospects • Health and Safety • Working conditions • Diversity and Inclusion • Human Rights and modern slavery • Fair pay, employee benefits	• Fortnightly global call • Whistleblowing procedures • Employee benefits packages • Employee questionnaires • Employee platform "HiBob"	• Standardised contracts across the Group • Wellbeing warrior group trained and established • Formalised flexible working and introduced early finish Friday • Share incentive scheme introduced post IPO
Our customers	• Customer service • Authenticity • Quality at affordable prices • Innovation • Diversity	• Distinctive social media presence • Collaboration with influencers • Bi-annual distributor conferences • Regular interactions • Regular collaboration with retailers on assortment and stand updates	• Increased door numbers to 14,000, increased major ULK retailer footprint, new partnerships with key US drugstore retailers • No.1 mass market beauty brand on key online retail site • 7m social media followers, most popular British beauty brand on TikTok • Key innovations such as Miracle Cream
Our suppliers	• Workers' rights • Supplier engagement and management to prevent modern slavery • Fair trading and payment terms • Sustainability and environmental impact • Collaboration • Long-term partnerships	• KPIs and Feedback • Board approval on significant changes to suppliers • Direct engagement between suppliers and specified company contact • Stock exchange announcements	• Agreed regular payment plans with key Chinese and Taiwanese suppliers • Resolved issues with supplier rebates and capital support payments

Our Stakeholders (continued)

Stakeholder	Their Interests	How we engage	2022 Highlights
Our investors	- Comprehensive review of financial performance of the business - Business sustainability - High standard of governance - Success of the business - Ethical behaviour - Awareness of long-term strategy and direction	- Regular reports and analysis on investors and shareholders - Investor meetings - Investor roadshow with results - Annual Report - Company website - Stock exchange announcements	- Challenging year due to issues with corporate governance, and Investigation resulting in annual report being delayed - Information has been released when legal privilege has allowed. - Once suspension from AIM is lifted, regular communication will recommence
Our banking partners	- Business performance & forecast accuracy. - Cash management and financial control - Compliance with laws and regulations - High standards of governance - Ethical behaviour - Data security	- Regular meetings & updates - Regular reports and analysis - Annual Report - Stock exchange announcements	- Revisited FPPP and working capital requirements to re-establish position post audit issues - Share forecasts on a regular basis including stock provision levels - Agreed new covenants on existing facility
Regulatory bodies	- Compliance with regulations - Worker pay and conditions - Gender Pay - Health and Safety - Treatment of Suppliers - Brand reputation - Waste and environment - Insurance	- Company website - Stock exchange announcements - Annual Report - Direct contact with regulators - Compliance updates at Board Meetings - Consistent risk review	- Worked closely with Company lawyers and NOMAD to ensure compliance with regulations. - Gender pay reporting used to inform decision making. - New risk committee implemented. - Partnerships being built with suppliers
Social and Environmental	- Sustainability - Human Rights - Energy usage - Recycling - Waste Management - Community outreach and CSR	- Offer paid 12 month placements, with details on our website - Operations and brand teams collaborate to maximise opportunities to reduce environmental impact and waste - Close partnerships with suppliers and an agent to support standards at factories - Charitable donations, both monetary and product	- Introduction of a Reef safe policy - Publication of all Revolution Beauty banned and restricted materials - Implemented certified paper packaging - Established the Revolution Academy, to provide opportunity for those from ethnic minority groups or with a registered disability to enter the beauty industry

Our Risks

RISK MANAGEMENT FRAMEWORK

As part of its AIM admission, the Group set up a risk register which includes all principal risks critical to the business. The Board retains responsibility and accountability for the effectiveness of the risk management framework and internal control systems. As risks continue to evolve and grow in complexity, so do the risk management processes. This ensures continuous improvement in the organisation's risk maturity.

APPROACH TO RISK MANAGEMENT

The Audit Committee, under delegated authority from the Board is accountable for overseeing the effectiveness of the risk management process, including identification of the principal and emerging risks facing the Group. The Audit Committee focuses on those risks which affect accounting in general and safeguards the Group's assets.

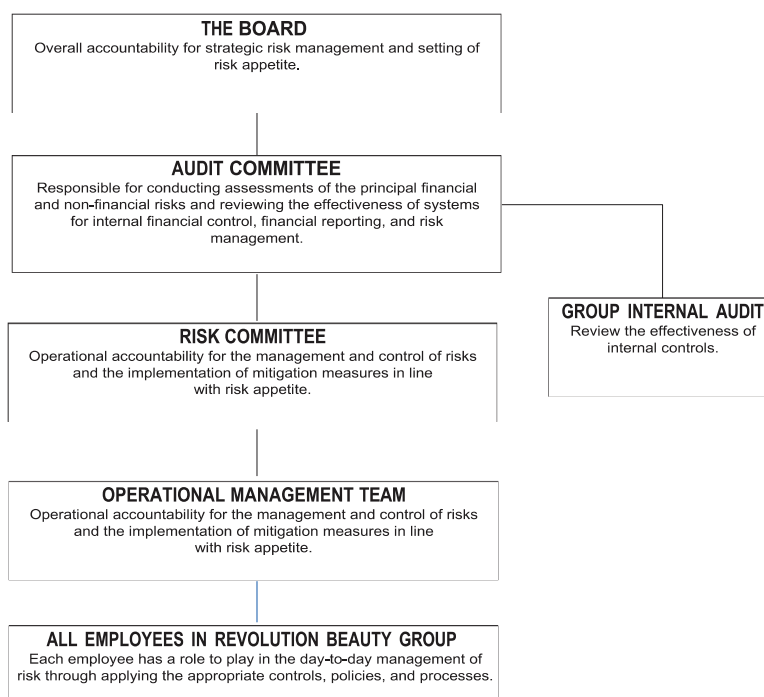
The Group currently reviews risk through three lenses:

- **Strategic:** Reviewing and monitoring business activities to identify both internal and external risk areas.
- **Operational:** Operational risk is considered at both the local and Board levels. Operational management teams identify and report risks to ensure that business objectives will be met.
- **Financial:** Robust financial management and budgeting & forecasting processes to be in place.

The Audit Committee has appointed a Risk Committee to assist it in fulfilling its obligations, the Risk Committee is chaired by the Group Operations Director and other members comprise the senior leadership team.

The diagram below shows the key elements of the Group's approach to risk governance.

RISK GOVERNANCE STRUCTURE



Our Risks (continued)

PRINCIPAL RISKS AND UNCERTAINTIES

RISK CATEGORY	POTENTIAL IMPACT	MITIGATION
1. North America Brand awareness in North America is limited and requires investment in marketing	Sales growth in North America could potentially be materially impacted due to lack of brand awareness and resources available. This could lead to customers reducing their purchasing levels or cease buying products from the Group. If the Group loses a significant retail customer or if sales to a significant customer materially decrease, it could have a material adverse effect on the Group's business, financial condition, and results of operations.	• US Brand agency appointed to assist in developing marketing and PR strategy. • New USA Country Head of Sales appointed with industry and market experience. • Planograms being developed to maximise sales.
2. Failure of new product introductions The Group's new products may not be successful. If new products launched are not fashionable, or if a marketing campaign for a product launch is unsuccessful, this could result in leftover stocks and higher stock provisions.	The Group's continued success depends on its ability to anticipate, gauge, and react in a timely and cost-effective manner to changes in consumer preferences, as well as to where and how consumers shop. If the Group is unable to anticipate and respond to sudden challenges in the marketplace, its financial results will be negatively affected. In addition, from time to time, sales growth or profitability may be concentrated in a relatively small number of product types, channels, or countries. In such a situation, there could be a material adverse effect on the business and profitability.	• The Group is able to identify early trends in the market through its influencers, consumers and retail channels. • Processes have been introduced to ensure new product is only developed when there is demand and a profitable business case. This will ensure that fewer new products will be developed but in total they will be more successful than in previous years. • The Group closely monitors trends and is working with large retailers to engage upfront to understand what their buying needs are. The Group is structured by regions and channels and these sales teams form part of the assessment of new products.
3. Environmental Risk The Group may not be able to adapt its ingredients and packaging quickly enough to minimise the impact of environmental legislation, for example on use of plastics.	Potential brand damage as customers become more environmentally aware. Potential increased costs due to government taxation policy.	• The Group works closely with its product and packaging suppliers to identify ways to reduce environmental impact. • Introduction of a reef safe policy. • Publication of all Revolution Beauty banned and restricted materials. • Implemented certified paper packaging.

RISK CATEGORY	POTENTIAL IMPACT	MITIGATION
4. Key Personnel Risk To secure the lifting of the Group's suspension from AIM, and recovery, there are key personnel needed to deliver this.	Loss of key personnel could affect the confidence of key stakeholders in the business such as banks and investors. Potentially, changes in leadership could result in further losses of talent at the senior management level. The result could be significant loss of reputation and access to funding.	• The Remuneration Committee is working on a new LTIP to incentivise senior leadership and management • Nominations Committee are tasked with succession planning
5. Supply Chain risk Key suppliers could increase their costs of production. Or cease supplying the Group at any time and for any reason, at short notice.	The Group has supply relationships with several manufacturers for their products. All key suppliers are governed by formal contracts. The day-to-day supplier relationships are managed via a supplier manual to which suppliers have agreed to abide by, which the Directors believe is standard in the beauty industry. If the Group loses a significant supplier, it may experience difficulty in finding a suitable replacement supplier, which could have a material adverse effect on its business and/or operations.	• The Group has a flexible, agile and scalable supplier base. New products can be launched quickly through the Group's supplier base and infrastructure. • The management team has longstanding relationships with suppliers, with products sourced from both Asia (c.73%) and the UK & Europe (c.27%). The Group monitors the situation in the UK and globally and makes changes to the supply chain to de-risk. In particular the Group is focusing on purchases to ensure appropriate amounts of stock are ordered. • When required, the Group increases the holding of safety stock to reduce the risk of exposures to short-term supply issues and demand volatility.

Our Risks (continued)

RISK CATEGORY	POTENTIAL IMPACT	MITIGATION
6. Damage to reputation or brand If the Group is unable to preserve its reputation, enhance its brand recognition, or increase positive awareness of its products, it may be difficult to maintain and grow its consumer base, and the Group's business, financial condition and operations, may be materially and adversely impacted.	The success of the Group's brand may suffer if its marketing plans or product initiatives do not have the desired impact on brand image or its ability to attract consumers. Further, the Group's brand value could diminish significantly due to several factors, including consumer perception that the Group has acted in an irresponsible manner, adverse publicity about its products, its failure to maintain the quality of its products, product contamination, the failure of its products to deliver consistently positive consumer experiences, or the products becoming unavailable to consumers.	• The Group operates on five continents. Its products are sold in established retail partners worldwide. It offers several brands, each of which has a wide and differentiated offering based on price and target consumer. • As each of the Group's brands has its own distinct audience and product line, the products will appeal to consumers as product lines will be constantly updated to follow the trends they wish to emulate. • The Group continues to invest in marketing and promotional activities to maximise brand value and exposure. • The Group has intellectual property expertise with a robust enforcement strategy. • The Group has enjoyed continued support from its customer throughout the difficult period since February 2022 caused by not being able to publish audited accounts. Going forward this situation should not arise again.
7. IT, Systems and Cyber Security Information technology ("IT") systems may be susceptible to damage, disruptions, or loss of access due to failures during the process of upgrading or replacing software, databases, or components, third party or hosted infrastructure failures, hardware failures, data loss through theft or leakage, computer viruses, attacks by computer hackers, telecommunication failures, user errors or catastrophic events.	The Group depends on information technology infrastructure from a variety of service providers for digital marketing activities, electronic communications internally, retail & digital customers, consumers, manufacturers, and suppliers around the world. If the Group's information technology systems suffer damage, loss of access, disruption, or failure, and it does not effectively resolve the issues in a timely manner, the Group's business, financial condition and operations may be materially and adversely affected. If the Group's third-party payment services were disrupted, the Group could incur substantial delays and expenses in finding and integrating alternative third- party payment service providers, and the quality and reliability of such alternative payment service providers may not be comparable.	• Further investment in technology and digital innovation to improve the current systems and enhance the customer and user experience. • The Group's IT team conducts periodic security testing, and any recommendations or enhancements are implemented where necessary. • Software systems are regularly updated to allow for the latest security updates and patches to be installed. • Continue to leverage cloud-based technology. • Ongoing roll-out of IT policies and procedures and awareness training. • The Group has in place, and regularly reviews, cyber insurance coverage. • Periodic auditing of third-party data processes

Board of Directors as at 25 May 2023

BOB HOLT OBE

Chief Executive Officer (from 28 November 2022)

Bob has successfully managed and developed various business opportunities across several different sectors, from both a financial and general management perspective. Bob bought a controlling interest in Mears Group PLC in 1996, floating the small business on the AIM market later that year. Mears became one of the most successful flotations over the first ten years of the AIM market.

In 2016 Bob took on the role of executive chairman of what was later to become Sureserve Group plc. The business had recently floated and had a troubled start to life as a main listed plc. Bob completed the successful turnaround and strategic repositioning of the business and stepped down from his role as chair and CEO in 2021.

ELIZABETH LAKE FCA

Chief Financial Officer (from 12 May 2022)

Elizabeth has 25 years of financial and commercial experience. Prior to joining Revolution Beauty Group, she was the CFO at two AIM-listed companies: Everyman Media Group plc, (2019-2022) and Science in Sport, (2016-2019). Before that, she worked as the finance director at Hugo Boss UK & Ireland for 3 years from 2012. She brings to the Group extensive UK plc experience, having also worked in finance roles at Marks & Spencer, Pearson and Thomson Reuters. Elizabeth is ACA qualified having trained at Coopers and Lybrand (now PWC).

DEREK ZISSMAN FCA (A)(R)(N)

Chairman

Derek currently sits on the boards of 3 AIM listed companies and one public company listed on the Frankfurt Stock Exchange, in each case as a Non-Executive Director, including HelloFresh SE, 600 Group plc and Sureserve Group plc. He spent 37 years of his career with KPMG, where he was appointed Vice Chair of KPMG UK, having co-founded the firm's Corporate Finance Group in the UK and Private Equity Groups in the UK and US. Derek is a fellow of the Institute of Chartered Accountants in England and Wales.

JEREMY SCHWARTZ (A)(R)(N)

Independent Non-Executive Director

Jeremy is Chair of Kantar Sustainability and Inclusion Practice and senior advisor to McKinsey & Company. His previous roles include CEO of Pandora plc (2018-2019) and Chair and CEO of L'Oreal UK The Body Shop (2013-2018). Jeremy has held key roles at other large multinationals, including News International plc, Conival plc, J Sainsbury's plc and The Coca-Cola Company.

A – Member of the Audit Committee

R – Member of the Remuneration Committee

N – Member of the Nomination Committee

Andrew Clark stepped down as a Director and Chief Financial Officer of the Company on the 12 May 2022.

Adam Minto resigned as a Director and Chief Executive Officer, with immediate effect, on the 09 November 2022.

Gita Samani resigned as a Non-Executive Director with immediate effect from 16 December 2022.

Edward Rumsey resigned as a Non-Executive Director with immediate effect from 16 December 2022.

Tom Allsworth resigned as a Director and Executive Chairman, with immediate effect from 24 May 2023.

Corporate Governance Report

INTRODUCTION

On behalf of the Board, I am pleased to introduce Revolution Beauty Group plc's first Corporate Governance Report. This report sets out our governance framework and how we are working to embed high standards of governance as a public company. This Corporate Governance Report covers the period from IPO.

THE BOARD

As part of the preparation to become a public company, the Board expanded to include four new Non-Executive Directors in July 2021. As a result of their appointments, the majority of the Board was comprised of independent Directors. With the resignations of Gita Samani and Edward Rumsey on 16 December 2022 the number of independent Non-Executive Directors is now two.

The Board is committed to ensuring high standards of governance for the Company as the basis for promoting long-term growth and protecting the reputation of the business for the benefits of our shareholders and our wider stakeholders. The current Board appreciates that the high standards expected of a plc were not in place throughout the period covered in these financial statements.

Since admission to AIM, the Board has adopted the QCA Code. The Board considers the QCA Code to provide the most appropriate framework of governance for a public company of our size and complexity. We support the QCA Code and have adopted the ten principles, as set out on pages 37 to 39.

This report includes the following:

- our Board of Directors, including biographical details (see page 31);
- the Board and Committee composition (see page 35);
- the Audit Committee Report (see pages 40 to 44);
- the Nomination Committee Report (see pages 45 to 46)
- the Directors' Report (see pages 52 to 56);
- the Directors' Remuneration Report (see pages 47 to 51).

As Chairman of the Board of Directors, it is my responsibility to ensure that the Company has both robust corporate governance and an effective Board.

ROLE OF THE BOARD

The Board sets the Company's strategy and oversees its implementation within a framework of efficient and effective controls that allow the key issues and risks facing the business to be assessed and managed. The Board considers the impact on, and the responsibility it has to all the Company's stakeholders, as part of the decision-making process.

The Board oversees the delivery of the strategy within the context of the values and culture of the Group.

BOARD STRUCTURE AND COMPOSITION

The Board comprises four Directors, two Executive Directors and two Non-Executive Directors. At IPO and as at 28 February 2022 the Board comprised seven Directors, three Executive Directors and four Non-Executive Directors. Further details and Board biographies can be found on page 31.

The Board sets the strategy for the Group to achieve its long-term plans, monitoring the business performance, overseeing corporate governance and managing Group risk. The Board is responsible to its shareholders and to act in the interests of all Group stakeholders.

In addition to the stated challenges faced by the Board, it has also been responsible for navigating the business through uncertain times, from the Covid-19 pandemic to Brexit, to the geopolitical tensions in Europe. Details of the Board, its Committees and the governance framework are available at <https://revolutionbeautyplc.com/corporate-governance/>.

The Chairman is responsible for setting the Board agenda and monitoring its effectiveness. There is a clear separation of responsibilities and independence between the Chairman and Chief Executive Officer.

HOW THE BOARD OPERATES

The Executive Directors, comprising the Chief Executive Officer and Chief Financial Officer, are responsible for business operations and for ensuring that sufficient financial and human resources are in place to implement the Group's strategic aims. A Non-Executive Directors' role is to provide an independent view of the Group's business and to constructively challenge management. The Board as a whole reviews all strategic issues and key strategic decisions on a regular basis. Control over the performance of the Group is maintained through regular review of financial information, the monitoring of performance against approved budgetary targets and comparison with competitors in the same industry.

The Chairman takes responsibility for ensuring that the Directors receive accurate, timely and relevant information. The Directors are aware of their right to have any concerns recorded in the Board minutes.

The Board has met 7 times since being established in July 2021 up until 28 February 2022. Since the year end the Board members at IPO met 5 times and the new Board has met 4 times since December 2022. All Board members are expected to attend all meetings. Outside formal Board meetings, Non-Executive Directors communicate directly with the Executive Directors and senior management. Non-Executive Directors are expected to attend Committee meetings of which they are a member and devote sufficient time to ensure they fulfil their roles.

RESERVED MATTERS

The Board has agreed that certain authorities relating to areas of strategic significance be reserved as matters for the Board alone, whilst other specific responsibilities have been delegated to the appropriate Committees. Some of the key reserved matters are summarised below and the full schedule of all matters reserved for the Board's approval, together with the detailed terms of reference setting out the delegated responsibilities of each of the Board Committees, can be found at <https://revolutionbeautyplc.com/corporate-governance/>.

KEY MATTERS RESERVED FOR THE BOARD

(1) Strategy and Management

- Approval of the Group's long-term objectives and commercial strategy.
- Approval of the annual operating and capital expenditure budgets.
- Oversight of the Group's operations ensuring competent and prudent management, sound planning, adequate system of internal control, adequate accounting and other records; and compliance with statutory and regulatory obligations.
- Review of performance in the light of the Group's strategy, objectives, business plans and budgets, ensuring that any necessary corrective action is taken.

(2) Structure and Capital

- Changes to capital structure of the Group.
- Major changes to the Group's corporate structure.

(3) Financial Reporting and Controls

- Approval of the half-yearly report and any preliminary announcement of the final results.
- Approval of the annual report and accounts.

(4) Internal Controls

- Ensuring maintenance of a sound system of risk management and internal control processes.
- Determining the nature and extent of the significant risks the Company is willing to take in achieving its strategic objectives.

(5) Contracts

- Contracts which are material strategically, or by reason of size; or those not in the ordinary course of business.
- Acquisition or disposal of interests of more than 5% in the voting shares of any company.

The current Board acknowledges that certain of these responsibilities around adequate records and internal controls have not been discharged fully historically. However, in future they are committed to ensuring the highest standards are met.

Corporate Governance Report (continued)

BOARD EVALUATION

As the Company only listed in July 2021, and there have been significant Board changes, a formal Board performance evaluation has not yet been conducted. It is intended that the Company will carry out future annual reviews to ensure that the Board delivers its objectives.

BOARD COMMITTEES

As shown above, there are three Board committees – Audit, Nomination and Remuneration committees. The Board committees comprise solely of Non-Executive Directors, with the CEO and CFO invited to attend committee meetings as considered appropriate by the Chair of the Committee.

The Board delegates clearly defined responsibilities to its committees and the terms of reference for these Committees are available on the Company's website at <https://revolutionbeautyplc.com/corporate-governance/>.

The roles and responsibilities of each are detailed here.

AUDIT COMMITTEE

The Audit Committee is chaired by Derek Zissman, with the other current member being Jeremy Schwartz, Gita Samani resigned 16 December 2022 and Edward Rumsey resigned 16 December 2022. The Audit Committee is responsible for ensuring that the financial performance of the Group is properly measured and reported, and for overseeing the framework of internal controls to manage business risk. The Committee is responsible for advising the Board on the appointment of the external auditor, ensuring external auditor independence, and advising on fees and terms of reference.

The Committee will receive and review reports from the Group's management and external auditors relating to the interim and annual accounts; and the internal controls operating within the Group, in all cases having due regard to shareholder interests. The Audit Committee met 5 times since being established in July 2021.

NOMINATION COMMITTEE

The Nomination Committee is chaired by Jeremy Schwartz, with the other current member being Derek Zissman, Gita Samani resigned 16 December 2022 and Edward Rumsey resigned 16 December 2022. The Nomination Committee identifies and nominates, for the approval of the Board, candidates to fill Board vacancies as and when they arise. The Nomination Committee did not meet in FY22 due to the short period since IPO, but has since met for the appointment of Bob Holt as COO and then CEO and Elizabeth Lake as CFO.

REMUNERATION COMMITTEE

The Remuneration Committee is chaired by Jeremy Schwartz, with the other current member being Derek Zissman, Gita Samani resigned 16 December 2022 and Edward Rumsey resigned 16 December 2022. The Remuneration Committee is responsible for ensuring remuneration policies and practices support Group strategy and promote long-term sustainable success. It maintains a formal and transparent process for developing policy on executive rewards and ensuring executive remuneration is aligned to the Group's purpose and is clearly linked to the successful delivery of its long-term strategy.

The Remuneration Committee will also make recommendations to the Board for the granting of share options or other equity incentives in line with share-based incentive plans operating within the Group. The Remuneration Committee has met once during the period.

DIVERSITY AND INCLUSION

The Board currently comprises of 1 female and 3 male members, with half of Board members being Non-Executive Directors. Prior to December 2022 the Board comprised 2 female and 5 male members with four Board members being Non-Executive Directors.

BOARD AND COMMITTEE ATTENDANCE

The table below sets out the number of meetings each of the Directors attended versus the maximum number they could have attended between our admission to AIM in July 2021 to 28 February 2022.

Director	Position	Board	Nomination Committee	Audit Committee	Remuneration Committee
Thomas Allsworth ¹	Executive Chairman	7/7			
Adam Minto ²	Chief Executive Officer	7/7			
Andrew Clark	Chief Financial Officer	7/7			
Derek Zissman	Non-Executive Director	7/7	#	5/5	1/1
Jeremy Schwartz	Non-Executive Director	7/7	#	5/5	1/1
Gita Samani	Non-Executive Director	7/7	#	5/5	0/1
Edward Rumsey	Non-Executive Director	7/7	#	5/5	1/1

1 Tom Allsworth resigned as a Director and Executive Chairman, with immediate effect, on the 24 May 2023.

2 Adam Minto resigned as a Director and Chief Executive Officer, with immediate effect, on the 09 November 2022.

No meeting was held during the reporting period.

BOARD ACTIVITY & STAKEHOLDERS

The key topics that were considered by the Board during the reporting period are:

- (i) Supply chain issues – Discussions and decisions were made in relation to the significant increase in global freight charges and increase in stock purchases;
- (ii) Covid-19 outbreak – Return of trading restrictions;
- (iii) Financial targets and expectations of investors;
- (iv) Acquisition of Medichem Manufacturing Ltd (now known as Revolution Beauty Labs Ltd);
- (v) Acquisition of BH Cosmetics intellectual property and stocks;

Further information about the principal decisions made during the reporting period can be found in the Section 172 Statement on page 23. The Board understands the views of the Group's key stakeholders and their interests; and these have been considered in Board discussions and decision-making. However following the findings of the Investigation there were circumstances where key stakeholders interests may not have been fully considered. Going forward the new Board will ensure this is not repeated.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for establishing and maintaining the Group's system of internal controls and will ensure that management keeps these processes under regular review and improves them where appropriate. This provides the Board with comfort around the risk exposure of the Company. The current Board acknowledges that the required focus on these matters was not fully in place during the reporting period.

As part of the admission to AIM, the Group has set up a risk register which includes identifying the principal risks faced by the Group, the impact of these risks on the business and the mitigating factors. Further information on risk management can be found on pages 27 to 30.

Corporate Governance Report (continued)

CORPORATE CULTURE

The current Board places significant importance on the promotion of ethical values and good behaviour within the Company and takes ultimate responsibility for ensuring that these are promoted and maintained throughout the organisation and that they guide the Company's business objectives and strategy.

The current Board acknowledges some of the findings of the Investigation demonstrate that the standard of ethical values and good behaviour were not at the level expected of a plc.

The central role that sound ethical values and behaviour plays within the Company is enshrined in the Employee Handbook, which promotes this culture through all aspects of the business, from initial recruitment and hiring, to career advancement. The Employee Handbook also sets out the Company's requirements and policies on such matters as whistleblowing, communication, and general conduct of employees. In addition the Board has taken action to reinforce the requirements and communicate them on a regular basis going forward.

Non-Executive Directors have regular direct contact with the senior management team and their direct reports. All face-to-face Board and Committee meetings are held in the London office, if feasible, where Non-Executive Directors have the opportunity to interact with the employees and observe the office environment.

Strong corporate culture is paramount to the sustainability of our business going forwards and the current Board is satisfied that the steps it is taking will ensure that the Company's corporate culture aligns with our purpose, vision and values.

Derek Zissman

Chairman

26 May 2023

QCA Code

The Directors recognize that the standard of corporate governance across the Group needs to improve and are committed to achieving a high standard of corporate governance. The Company adopted the Quoted Companies Alliance Code ("QCA Code") with effect from July 2021 upon the listing of the Company on AIM. The Directors believe that the QCA Code provides the Company with the required framework to help ensure that a strong level of governance is maintained, enabling the Company to enhance the governance culture that exists within the organisation as part of building a successful and sustainable business for all of its stakeholders.

We set out below a description of how the Company complies with the ten QCA Code principles at this point in time and explain the areas of non-compliance, where applicable. The Board remains committed to strengthening the Company's corporate governance arrangements as the business grows.

1 ESTABLISH A BUSINESS STRATEGY AND MODEL WHICH PROMOTES LONG-TERM VALUE FOR SHAREHOLDERS

Revolution Beauty Group retails its products through two core brands Revolution Beauty London and Revolution Make-up London and a number of sub brands including BH Cosmetics, a US brand which was acquired by the Group in February 2022. Each brand has its own distinct audience and product line, enabling the products to appeal to the targeted consumer group of between 16-35 years old.

The Group benefits from having a multichannel business model with approximately 70% of revenue coming from retail partners and 30% from online. This business strategy enables the Group to respond to trends quickly, test new products online and optimise distribution across both retail and online.

The Directors believe that the Group's business model and growth plan will deliver an improved working capital position through the rigorous investment processes that have been implemented, and will help to promote long-term value for shareholders. More details about the Group's business model and strategy can be found on pages 10 and 11.

2 SEEK TO UNDERSTAND AND MEET SHAREHOLDER NEEDS AND EXPECTATIONS

The new CEO and CFO are committed to meeting shareholder needs and expectations. With the publication of this Annual Report following the completion of the Investigation, there is an opportunity to re-engage with shareholders and re-present the business model. The Company is committed to maintaining an active dialogue with its shareholders to develop a good understanding of the needs and expectations of shareholders and will continue to communicate the Company's strategy at appropriate intervals as progress is made.

Shareholders and other market participants are kept up-to-date via the Regulatory News Service ("RNS") on matters of a material substance and/or a regulatory nature. Updates provided to the market include financial information, trading updates, significant transactions entered into by the Group, and changes in key management personnel.

The upcoming Annual General Meeting ("AGM") on 27 June 2023 will be the first Company shareholder meeting post-IPO and all shareholders are encouraged to attend and vote at the meeting, during which the Directors will be available to discuss matters affecting the Group. This meeting is open to all shareholders, and they can ask questions during the formal proceedings of the meeting or, more informally, following the formalities. The results of the AGM will be announced via RNS.

The Company's website at <https://revolutionbeautyplc.com/> contains information about the Company, including the AIM admission document, the Company's Articles of Association, the terms of reference of the Board's Committees and regulatory announcements. The Company will also make available on its website the year-end and interim results announcements, as well as all annual reports, notices of AGMs and general meetings, proxy voting details, circulars sent to shareholders and any other relevant information.

The Board is keen to ensure that the voting decisions of shareholders are reviewed and monitored, and the Company intends to engage with shareholders who do not vote in favour of resolutions at AGMs, to understand their motivation.

The primary point of contact for shareholder liaison is our CEO Bob Holt and the CFO Elizabeth Lake. Derek Zissman, the Chairman, will be available to shareholders if they have an issue that the normal channels of communication have failed to resolve, or for which such channels of communication are inappropriate. There is also a designated email address for investor relations on the Group's website.

3 TAKE INTO ACCOUNT WIDER STAKEHOLDER AND SOCIAL RESPONSIBILITIES AND THEIR IMPLICATIONS FOR LONG-TERM SUCCESS

The Group takes its corporate social responsibilities very seriously and is committed to operating as a responsible, sustainable business. The Group will maintain effective working relationships across a wide range of stakeholders including shareholders, employees, customers, suppliers, and the environment and communities in which the Group operates, in order to achieve long term success.

The Board is committed to developing a plan to minimise the Company's environmental impact through further product development and innovation with its suppliers. On pages 23 to 26, we set out how the Group engages with its stakeholders.

The Company will continue to monitor its governance and health and safety policies. The Board will also consider the broader factors that relate to the Group's impact on society and communicate how those matters will be integrated into the Company's strategic plan and business model.

QCA Code (continued)

4 EMBED EFFECTIVE RISK MANAGEMENT, CONSIDERING BOTH OPPORTUNITIES AND THREATS, THROUGHOUT THE ORGANISATION

The Directors have identified risks and undertaken a mitigation strategy to manage these risks following the admission of the Company to AIM, and these have been updated where relevant to incorporate findings of the Investigation. Details of the principal risks and uncertainties, their impact on the business, together with mitigations, are set out on pages 28 to 30. These risks will be regularly monitored, and the Directors will formally and regularly review such risks at both the Audit Committee and Board meetings. Where necessary, the Directors will draw on the expertise of appropriate external consultants or advisers to assist in dealing with or mitigating risk.

The Board is responsible for ensuring that the Company has effective and robust systems of internal controls and these controls are designed to manage, but not eliminate, the risk of failure to achieve business objectives and provide reasonable, but not absolute, assurance against material misstatements and loss. The Board has established an Audit Committee, and the terms of reference can be found in the corporate governance section of the Company's website.

The Company maintains appropriate cover in respect of actions taken against the Board and/or the Group. The adequacy of the insurance cover taken by the Group is normally reviewed on an annual basis just prior to the renewal of the expiring policy.

5 MAINTAIN THE BOARD AS A WELL-FUNCTIONING, BALANCED TEAM LED BY THE CHAIR

The Board currently comprises:

Chairman;
One Non-Executive Director; and
Two Executive Directors.

The biographies of the Directors are set out on page 31. The Chairman, Derek Zissman and Non-Executive Director Jeremy Schwartz, are considered to be independent and were selected with the objective of bringing additional lines of experience and independent judgement to the Board. The Board as a whole is collectively responsible for the success of the Company, and the proposed structure provides strong leadership of the Group within the framework of effective controls.

The division of responsibilities between the Chairman and the CEO was agreed by the Board. Derek Zissman, also leads the independent Non-Executive Directors on matters where independence is required. The Board is not dominated by one individual and all Directors can challenge proposals put forward at each meeting, democratically. Additionally, the governance architecture has been designed to empower the independent members of the Board through the various Committee structures. The Board is looking to appoint further independent non-executives with relevant skills to replace Gita Samani and Edward Rumsey who both resigned 16 December 2022.

The Board is supported by the Audit Committee, the Remuneration Committee and the Nomination Committee. Summaries of the terms of reference for each committee can be found on the Company's website. The Nomination Committee will keep the composition of the Board under regular review, taking into account the relevant skills, experience, independence, knowledge and diversity of the Board. The Directors will be subject to retirement by rotation every third AGM of the Company.

The Board will consider the need for further appointments and review the leadership and membership of existing Board Committees in due course.

The Group is satisfied that the current Board is sufficiently resourced to discharge its governance obligations on behalf of all stakeholders, however two new non-executive Directors will be appointed when the suspension of the shares on AIM is lifted.

6 ENSURE THAT, BETWEEN THEM, ALL DIRECTORS HAVE THE NECESSARY UP TO DATE EXPERIENCE, SKILLS AND CAPABILITIES

The skills and experience of the Directors are summarised in their biographies as set out on page 31. The Directors between them cover a very broad range of skills and experience including (but not limited to); extensive experience in the beauty and customer market, housing and service sector, retail and the financial and accounting industry. The board has experience across multiple companies of different size and with different sectors, and extensive public company experience across multiple markets both in the UK and Globally.

The Directors believe that the Board has the appropriate balance of diverse skills and experience in order to deliver on its core objectives. Director's experiences are varied, complementary and contribute to maintaining a balanced board that has the appropriate level and range of skills to drive the Group forward as it executes on its business strategy.

The Board is not dominated by one individual and all Directors have the ability to challenge proposals put forward at each meeting, democratically. The Directors have also received a briefing from the Company's Nominated Adviser in respect of continued compliance with, inter alia, the AIM Rules. The Company Secretary has the responsibility to make the Board aware of legal changes and will advise on the Company's approach.

Each Director takes responsibility for maintaining his or her own skill set, which includes roles and experience with other Boards and organisations, as well as formal training and seminars. The Board has direct access to the advice and services of the Group's advisers, Company Secretary and Chief Financial Officer.

The Board meets regularly and will hold at least ten board meetings per year. Processes are in place to ensure that each Director is, at all times, provided with such information as is necessary to enable each Director to discharge their respective duties. The Executive Directors

are required to dedicate appropriate time, whether that be normal business hours or any such other additional hours as required by the business. Board meetings will be held in person where possible, or where this is impractical, via video conference.

7 EVALUATE BOARD PERFORMANCE BASED ON CLEAR AND RELEVANT OBJECTIVES, SEEKING CONTINUOUS IMPROVEMENT

The Directors consider seriously the effectiveness of the Board, Audit Committee, Remuneration Committee, Nomination Committee, and individual performance of each Director. Following issues that have arisen during the audit and the findings of the Investigation, this is a key focus.

The Company intends to establish a formal process for the regular assessment of the individual contributions of each member of the Board to ensure that their contribution is relevant and effective. Until then, the Chairman will be responsible for ensuring an effective Board.

8 PROMOTE A CORPORATE CULTURE THAT IS BASED ON ETHICAL VALUES AND BEHAVIOURS

The Group has a responsibility towards its employees and other stakeholders. The Board promotes a culture of integrity, honesty, trust and respect and all employees of the Group are expected to operate in an ethical manner in all of their internal and external dealings. The culture is set by the Board and will be regularly considered and discussed at Board meetings.

The employee handbook and policies promote this culture and include such matters as whistleblowing, social media, anti-bribery and corruption, communication and general conduct of employees. The Board takes responsibility for the promotion of ethical values and behaviours throughout the Group, and for ensuring that such values and behaviours guide the objectives and strategy of the Group.

The Group takes the welfare of all its employees seriously and continues to invest in its people, who are encouraged to develop and grow with the business. Employee feedback is crucial with immediate attention paid to any concerns raised. Employee mental health and other common health issues are emphasised and the Group provides the necessary support if required.

9 MAINTAIN GOVERNANCE STRUCTURES AND PROCESSES THAT ARE FIT FOR PURPOSE AND SUPPORT GOOD DECISION-MAKING BY THE BOARD

The Chairman leads the Board and is responsible for its governance structures, performance and effectiveness. The Board retains ultimate accountability for good governance and is responsible for monitoring the activities of the executive team. The Non-Executive Directors are responsible for bringing independent and objective judgement to Board decisions. The Executive Directors are responsible for the operation of the business and delivering the strategic goals agreed by the Board.

The Board is supported by the Audit Committee, Nomination Committee and Remuneration Committee, further details of which are set out on pages 40 to 53. There are certain material matters which are reserved for consideration by the full Board, further details of which are set out in the Corporate Governance section on the Company's website.

The Company Secretary works closely with the Chairman and the Chairs of the Board Committees to ensure that Board procedures, including setting agendas and timely distribution of papers, are complied with and that there are good communication flows between the Board and its Committees, and between senior leadership team members and Non-Executive Directors. There is a formal agenda at each Board meeting which includes operational updates from the Chief Executive Officer and financial updates from the Chief Financial Officer.

The Board is reviewing the Group's governance framework on an ongoing basis annual basis to ensure that weaknesses highlighted in the Investigation are addressed and it remains effective and appropriate for the business going forward.

10 COMMUNICATE HOW THE COMPANY IS GOVERNED AND IS PERFORMING BY MAINTAINING AN OPEN DIALOGUE WITH SHAREHOLDERS AND OTHER RELEVANT STAKEHOLDERS

In terms of its governance, the Company, following its admission on AIM, discloses on its website and within its annual report and accounts how the Company is governed and complies with the QCA Code. The Company will review this information annually in accordance with the requirements of AIM Rule 26.

The Board views that the annual report and accounts, as well as its half year reports, are key communication channels through which progress in meeting the Group's objectives and updating its strategic targets can be communicated to its shareholders.

Additionally, the Board will use the Company's AGMs as a primary mechanism to engage directly with shareholders, to provide information and receive feedback about the Group and its progress.

The Company's website will be updated on a regular basis with information regarding the Group's activities and performance, including financial information and specific information required under AIM Rule 26.

There is also a designated email address for investor relations and all contact details are included on the Group's website.

Audit Committee Report

INTRODUCTION

The Audit Committee was established by the Company on admission to AIM on 12 July 2021. As Chairman of the Audit Committee ("the Committee"), I am pleased to present the inaugural Committee's report as a listed company for the period ended 28 February 2022. These pages provide an insight into how the Committee discharged its responsibilities delegated to it by the Board and the key topics that it considered in doing so.

I want to address the serious issues faced by the Group, as they relate to matters concerning the Audit Committee and subsequently raised by our auditors, BDO. This led to the independent Investigation carried out by our lawyers Macfarlanes, and forensic accountants FRA. The findings, which I take very seriously, are set out in the investigation report and highlight material leadership issues which failed to meet the standards of a UK plc.

The specific issues are addressed below where they relate to financial decisions. The audit report also highlights issues with related party transaction disclosure and director's expenses. The processes to identify related party transactions have been strengthened and our company secretary maintains a register, with consideration being given to this at the start of each Board meeting. Directors expenses are monitored closely with proper authorisation processes in place. A number of further actions to enhance corporate governance have been taken both prior to the results of the Investigation and more recently, and we continue to work on improving our processes and controls.

Prior to BDO raising serious concerns, we had already taken action to bring in a CFO with extensive listed company experience and Elizabeth Lake joined us in May 2022. In addition, to further develop the finance function, we brought in a Director of Group Finance who also has extensive listed company experience.

The audit for FY22 has been complicated and complex due to a number of issues, including around revenue recognition, stock provisioning and asset valuation included in the Investigation. The information and data the auditors and the business relied on was subject to change. The new CEO and CFO together with the senior management will continue to implement both the stock provisioning and revenue recognition policies set out in the notes to the financial statements.

OUR OBJECTIVES

The key objective of the Committee is the provision of effective governance over the appropriateness of the Group's financial reporting. It has the primary responsibility for monitoring the quality of internal controls, ensuring that the financial performance of the Group is properly measured and reported on and reviewing reports from the Group's internal and external auditors, in all cases having due regard to the interests of shareholders.

COMMITTEE MEMBERSHIPS

The Audit Committee comprises solely of independent non-executive directors. They were as at the year end, Derek Zissman as the Chairman and Jeremy Schwartz. Detailed information on the experience, qualifications and skillsets of all Committee members can be found on page 31.

TERMS OF REFERENCE

The Audit Committee is required to meet at least three times in each financial year. The terms of reference are available from the Group's website at <https://revolutionbeautyplc.com/corporate-governance/>

INDEPENDENCE AND EXPERIENCE

The Board believes that amongst the members of the Committee, they have broad commercial knowledge and business experience.

The Board is satisfied that Derek Zissman possesses recent and relevant financial experience. Derek Zissman is a Fellow of the Institute of Chartered Accountants in England and Wales.

MEETINGS HELD IN 2021/22

The Committee held five meetings during the period following admission to AIM. This being between the 19 July 2021 to the financial year-end 28 February 2022.

		Member since	Number of meetings attended	Number of meetings held
Derek Zissman	Chairman	12 July 2021	5	5
Jeremy Schwartz	Member	12 July 2021	5	5
Gita Samani*	Member	12 July 2021	5	5
Edward Rumsey*	Member	12 July 2021	5	5

Gita Samani and Edward Rumsey resigned from the Board 16 December 2022.

The Chief Financial Officer (“CFO”), senior finance managers and Company Secretary, although not members of the Audit Committee, also attend the meetings. The senior statutory auditor from BDO LLP (“BDO”) Sophia Michael, attends as and when required particularly at the planning and completion stages of the annual audit. The statutory auditors’ performance and remuneration were discussed at several meetings during the reporting period, at which they were not present.

The Committee discussed, without management present, certain areas such as internal audit reports. The Committee Chairman also met privately with the lead audit partner, and separately with the internal auditor without management present.

It is important for the Committee Chair to fully understand any topics of particular concern to facilitate meaningful dialogue during Committee meetings. To support him in fulfilling this role, he met regularly, on a one-to-one basis, with the senior management team including operational managers.

ROLE AND RESPONSIBILITIES

The primary function of the Audit Committee is to support the Board in discharging its responsibilities regarding financial reporting and internal and external controls, including:

- Monitoring the integrity of the Group’s financial statements;
- Reviewing the content of the annual report and accounts and advise the Board on whether, taken as a whole, it is fair, balanced and understandable;
- Reviewing the adequacy and effectiveness of the Group’s internal financial reporting and internal control policies and systems;
- Ensuring appropriate whistleblowing mechanisms are in place through which employees and other stakeholders may raise any concerns;
- Monitoring the effectiveness of the Group’s internal audit function; and
- Reviewing the effectiveness of the external auditor’s independence and objectivity, including the provision of non-audit services.

KEY ACTIVITIES

A summary of the key activities which the Audit Committee undertook during the reporting period is as follows:

- Assessed the external audit plan;
- Assessed the accounting and audit issues identified during the audit process;
- Reviewed the regulatory reporting including interim results announcement and trading updates;
- Monitored key areas of focus in advance of the commencement of the year-end audit; and
- Reviewed and monitored the internal audit plan and assessed its progress.

Outside of the formal meetings, the scope of the annual audit plan, resources for the audit and key dates to meet the signing deadlines were discussed with the Committee Chair and with the Chief Financial Officer present.

EXTERNAL AUDITORS

The Audit Committee is responsible for ensuring that the external auditor provides an effective source of assurance for the Group’s financial reporting and controls, including overseeing the relationship with the external auditor, evaluating the effectiveness of the services provided and its ongoing independence. The Committee is also responsible for recommending to the Board the appointment, re-appointment and removal of the external auditor.

BDO was appointed by the shareholders as the Group’s statutory auditor in 2019 prior to the IPO. In relation to the financial year ended 28 February 2023, the Committee recommends that BDO be re-appointed as the Group’s statutory auditor.

AUDITOR INDEPENDENCE AND PERFORMANCE

BDO confirmed that it complied with the Financial Reporting Council’s Ethical Standard for Auditors and in their professional judgement, it was independent and objective within the meaning of those standards. The Group is classified as an “other entities of public interest” (“OEPI”) due to the size of its market capitalisation at IPO, and BDO confirmed that they have complied with the rules relevant to OEPIs.

When assessing the independence of the external auditor, the Audit Committee considered, amongst other things, the value of non-audit fees provided by the external auditor and the relationship with them as a whole and the annual disclosure from the external auditor to discuss the threats to its independence and the safeguards applied to mitigate those threats.

The effectiveness of the audit partner, the audit team, their approach to audits, including planning and execution, communication, support, and value, were discussed and assessed. For the financial year ended 28 February 2022 there was a change of audit partner, and Sophia Michael, was appointed in April 2022. The CFO and senior finance managers held several introductory meetings with the new audit team to help them familiarise themselves with the Group’s business and accounting processes.

Audit Committee Report (continued)

Both the Audit Committee and Board are satisfied that the external auditor has adequate policies and safeguards in place to ensure its objectivity and independence is maintained. The content of the external auditor's report was reviewed and considered, together with other communications with the Audit Committee, to assess whether there was a good understanding of Revolution's business and the Group's key risk areas.

NON-AUDIT SERVICES

BDO provided corporate finance services in relation to the Company's AIM listing and certain taxation services during the financial year ended 28 February 2022. These services were provided to the Group prior to the Company's AIM listing on 19 July 2021. With regards to the non-audit services provided, as set out in Note 11 of the financial statements, the external auditor has ensured that adequate safeguards are in place. In addressing the self-review threat, they have engaged separate, independent teams, with no access to the audit file to maintain audit independence. The overall assessment is that the safeguards are appropriate and effective.

SIGNIFICANT FINANCIAL JUDGEMENTS

The Audit Committee assessed whether suitable accounting policies have been adopted and whether management has made appropriate judgements and estimates. The finance team provided the required level of disclosure regarding significant issues to be considered by the Committee in relation to the financial statements.

This section outlines the main areas of judgement that have been considered by the Committee to ensure that appropriate rigour has been applied. All accounting policies can be found in Note 1 to the financial statements. Each of the areas of judgement has been identified as an area of focus and therefore the Committee have also received detailed reporting on these matters from the external auditor.

Therefore, this report should be read in conjunction with the independent auditor's report starting on page 58 and the Group's financial statements in general.

Area of focus	Considerations by the Audit Committee
PRESENTATION AND DISCLOSURE OF ADJUSTED ITEMS	The Committee challenged management on the presentation and disclosure of adjusted items and noted the quantum of adjusting items in FY22. During the financial year ended 28 February 2022, global freight charges increased significantly, and management proposed this as an exceptional charge. Working with management and the auditors it was decided not to include these costs as exceptional as they were incurred in the Group's normal course of business. Management have included share-based payments, corporate restructuring costs, IPO related costs and acquisition related costs in the calculation of the Adjusted EBITDA. The Committee concluded that the presentation of Adjusted EBITDA throughout this report enables a clear and fair understanding of the Group's underlying performance.
INVENTORY VALUATION AND PROVISIONING	When calculating inventory provisions, the Group considered the nature and condition of inventories, as well as the Group's ability to sell the stocks in future. Assumptions consistent with those used by other similar businesses were also applied. The Committee reviewed the Group's inventory provision policy and the impact of expected future recoverability of the cost of inventories held at the balance sheet date. This has resulted in the recognition of a prior period error in the opening reserves because of the impracticability of accurately assessing the provision at each prior reporting date without using hindsight (see Note 4). The Committee considers that the inventory provisions made by the Group are reasonable and appropriate. The assumptions have been disclosed in Note 3 to the financial statements.
SUPPLIER REBATES	The Committee reviewed the supplier rebates in light of the Investigation and became aware of issues surrounding the agreement of these rebates with certain suppliers. As a result, in agreement with management certain rebates are being reversed in FY19 along with a capital contribution to two suppliers in FY21. These have resulted in prior year adjustments which are disclosed in Note 4. The Committee is satisfied that supplier rebates continue to be monitored closely by management and controls are in place to ensure appropriate recognition in the correct accounting period. The financial statements include specific disclosures in relation to the accounting policy and of the effect of supplier rebates on certain balance sheet accounts. Please see Note 4 to the financial statements.
REVENUE RECOGNITION	Revenue is recognised when control of a product provided by the Group is transferred to the customer, in line with the Group's performance obligations in the contract, and at an amount reflecting the consideration the Group expects to receive in exchange for the provision of products. During the financial year, management reviewed the revenue recognition policy to identify appropriate cut-off periods, to ensure that the reported sales are materially correct and not misleading. Following the review, revenue attributed to 3 distributors was identified as being outside IFRS15 revenue recognition due to the specific arrangements with each of the suppliers, primarily in relation to payment terms. Therefore, the reported revenue was adjusted. The Committee is satisfied that cut-off procedures in relation to revenue recognition are appropriate. For further details, please see Note 2 to the financial statements. In addition trade receivable payment terms and adherence to them are strictly monitored, with customers consistently paying late being put on hold.

Area of focus	Considerations by the Audit Committee
CONTROL OF MEDICHEM	The Group exercised the call option to acquire 100% of the issued share capital of Medichem Manufacturing Ltd (“Medichem”), now known as Revolution Beauty Labs Ltd on 26 October 2021. In accordance with IFRS 10, the Group is considered to have obtained control of Medichem via potential voting rights from 13 July 2021 when the call option was granted to the Group. The Committee concluded that the inclusion of Medichem results in the Group’s consolidation of accounts from 13 July 2021 is appropriate. Please see Note 32 to the financial statements.
IMPAIRMENT OF STANDS	Management reviewed indicators of impairment on stands, and an estimate of the value in use of the stands in each retailer was carried out. Estimating the value in use requires management to make an estimate of the expected future cashflows and discount rate applied, both of which inherently require estimation. The Committee consider that the key assumptions represent the best estimate of future cashflows of the CGUs, and that the discount rate used is appropriate given the risks associated with the specific cashflows. See notes 3 and 17.
ACQUISITION OF MEDICHEM	The Investigation highlighted information that although available at the time was not used by the independent valuer who reported to the Board on the valuation of Medichem in October 2021 prior to the exercise of the call option documented in the IPO. The Board commissioned a new valuation and following on from this is in negotiations with the seller to consider the level of deferred consideration outstanding. The purchase of Medichem was accounted for as a business combination under the acquisition method of accounting in accordance with IFRS 3. The Committee is satisfied that the accounting treatment is appropriate. The Committee also approved the calculation of the contingent consideration to be paid by the Group in relation to the acquisition of Medichem. Please see Note 32 to the financial statements.
ACQUISITION OF IP AND INVENTORIES OF BH COSMETICS HOLDINGS LLC (“BH COSMETICS”)	Management applied IAS 38 Intangibles and recognised the purchased IP cost as intangibles on the balance sheet. After the initial cost recognition, the IP will be carried at cost less accumulated amortisation and impairment losses. The Committee concluded that the accounting for BH Cosmetics assets is appropriate. Please see Note 32 to the financial statements.
GOING CONCERN	It is the Directors’ responsibility to assess the Group’s ability to continue as a going concern in order to support the basis of preparation for the financial statements. This is a requirement of both the Companies Act 2006 and the accounting standards. Management provided the Group’s cash flow forecasts considering the available finance and covenant compliance throughout the forecast period. The Committee is satisfied that the going concern assumption is appropriate. Please see Note 2 to the financial statements.

INTERNAL AUDIT AND RISK MANAGEMENT

The key features of the Group’s internal control and risk management systems that underpin the accuracy and reliability of financial reporting include, clearly defined lines of accountability and delegation of authority, policies and procedures that cover financial planning and reporting, preparation of the Group’s consolidated accounts and information security.

The Board has delegated responsibility for reviewing the effectiveness of the Group’s systems of internal control to the Audit Committee, which includes financial, operational and compliance controls and risk management systems. The Group’s internal audit function has been outsourced to RSM UK Group LLP (“RSM”) since September 2021. The Audit Committee is responsible for overseeing the work of the internal audit function and it approved the scope of the internal audit plan for FY22.

The work undertaken by the internal auditor during the financial year focused on key risks including, (a) a review of the Group’s month-end reporting process and (b) a review of the Group’s inventory management. Where the internal auditor has identified areas requiring improvement, processes are in place to ensure that the necessary action is taken and that progress is monitored.

The Group’s key principal risks are disclosed in the Strategic Report on pages 27 to 30 of this Annual Report.

FAIR, BALANCED AND UNDERSTANDABLE ASSESSMENT

At the request of the Board the Audit Committee has considered whether, in its opinion, the FY2022 Annual Report when taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group’s position and performance, business model and strategy.

The Group has established internal controls in relation to the process for preparing the Annual Report, including the following:

- Senior finance managers monitor and consider developments in accounting regulations and financial reporting and, where appropriate, reflect developments in the financial statements;
- The Annual Report including the financial statements was drafted with the support of external advisors;
- The draft Annual Report was reviewed by the executive directors, senior management, and certain sections by the external advisors as part of a verification process, to ensure accuracy and to assess whether the document is fair, balanced and understandable; and

The final draft Annual Report was reviewed by the Audit Committee prior to consideration by the Board.

Audit Committee Report (continued)

For the Committee to form its opinion, it reflected on the information it had received and its discussions throughout the reporting period, together with the results of the Investigation. Following its review, the Audit Committee advised the Board that the FY2022 Annual Report is, when taken as a whole, considered to be fair, balanced and understandable and provided the information necessary for shareholders to assess the Group's position and performance, business model and strategy. The Audit Committee was also satisfied that suitable accounting policies have been adopted and appropriate disclosures made in the financial statements.

The Going Concern Statements are set out on page 55 of the Director's Report.

FOCUS FOR 2022/23/24

The Audit Committee's focus will primarily remain on the quality of the Group's internal and external reporting, particularly in light of the findings of the Investigation. Internal audit review will continue with RSM as mentioned above. In addition, it will focus on the controls and governance of any changes in the Group to ensure the renewed effectiveness of Revolution Beauty's internal audit function as it continues to expand.

The Audit Committee will oversee a review of key internal controls following the issues that have surfaced during the audit and from the Investigation.

Following the year-end, the Committee has met to approve the Group's Annual Report and financial statements.

Derek Zissman

Chair of the Audit Committee

26 May 2023

Nomination Committee Report

INTRODUCTION

As Chair of the Nomination Committee, I am pleased to present the report for the period from 12 July 2022, when the Committee was formed just prior to admission on AIM, to the year-end date of 28 February 2022.

COMMITTEE MEMBERSHIP

The Nomination Committee comprises the non-executive directors, with Jeremy Schwartz as the Chair, and Derek Zissman, Edward Rumsey and Gita Samani as the other committee members. Information on the skills and experience of all Committee members can be found on page 30.

		Member since
Jeremy Schwartz	Chair	12 July 2021
Derek Zissman	Member	12 July 2021
Edward Rumsey (resigned 16 December 2022)	Member	12 July 2021
Gita Samani (resigned 16 December 2022)	Member	12 July 2021

TERMS OF REFERENCE

The terms of reference are available from the Group's website at <https://revolutionbeautypkc.com/corporate-governance/>

MEETINGS HELD IN 2021/22

Due to the short period since IPO, the Committee did not meet formally during the reporting period.

Post year end the Committee met twice to recommend the appointment of Elizabeth Lake (CFO) and Bob Holt (initially COO and then CEO).

ROLE AND RESPONSIBILITIES

The Committee reviews the structure, size and composition of the Board and its Committees, and makes recommendations to the Board. It considers the appointment of all potential members of the Board, whether executive or non-executive, with the exception of appointments such as the Chairman or Chief Executive, which should be matters for the Board as a whole.

The Committee ensures that there are plans in place for an orderly succession to the Board and senior management positions, considering the challenges and opportunities facing the Group, and the skills and expertise needed on the Board in future.

APPOINTMENT OF NON-EXECUTIVE DIRECTORS

Prior to the creation of the Nomination Committee, as part of the preparation for the IPO, the Board at the time considered the industry and public company skills, knowledge and experience required for the new non-executive directors. External recruitment consultants, with whom the Group had no other relationship, were engaged as part of the recruitment process along with introductions from the Group's advisors. The individuals each met the members of the Board on a one-on-one basis.

HOW WILL THE NOMINATION COMMITTEE OPERATE?

I will chair all meetings of the Nomination Committee unless they relate to the appointment of my successor or such other matters in which I may have a potential conflict of interest. For those meetings, Derek Zissman as the Senior Independent Director ("SID") will be invited to take the Chair, unless the SID is in contention for the role or also has a potential conflict of interest.

The Nomination Committee will meet at least twice a year, and on an ad hoc basis as required. Only members of the Nomination Committee have the right to attend meetings; however, the Chief Executive Officer and Chief Financial officer can attend by invitation so that the Nomination Committee can understand their views, particularly on key talent within the business.

SUCCESSION PLANNING

The Committee believes that effective succession planning is critical to the Group's long-term success. The Group is progressing with succession planning to ensure orderly succession for the Board and senior management.

Nomination Committee Report (continued)

FOCUS FOR 2022/23/24

After the financial year ended 28 February 2022, Andrew Clark stepped down from his role as Chief Financial Officer and from the Board. The Committee recommended to the Board the appointment of Elizabeth Lake, who formally joined the business on 12 May 2022.

In November 2022, it was announced that due to the events since IPO and the transition from a private company to a public company, Chief Executive Officer Adam Minto resigned as a Director of the Group and stepped down from the business with immediate effect. Bob Holt was appointed as Interim Chief Operating Officer on the same day and was subsequently appointed Chief Executive Officer and a Director on the 28 November 2022.

In December 2022, it was announced that Gita Samani and Edward Rumsey resigned from the business with immediate effect.

Tom Allsworth has announced his intention to resign as a director of the Group on the publication of this Annual Report and Accounts.

Going forward, the Committee will be adding non-executive directors to the Board. In addition, the Committee will work with the CEO and CFO to ensure there is robust succession planning in place. The Committee will be kept up-to-date and fully informed about strategic issues and commercial changes affecting the Group and the market in which it operates.

Jeremy Schwartz

Chair of the Nomination Committee

26 May 2023

Remuneration Committee Report

INTRODUCTION

As the Chair of the Remuneration Committee, I present the Committee report for the period ended 28 February 2022. This is our first report since the IPO on 19 July 2021. It sets out the Directors' remuneration policy and provides details of amounts earned by the Directors during the financial year.

The Company is committed to high standards of corporate governance and our remuneration policy and disclosures are designed to reflect this approach where practical.

OUR OBJECTIVES

The purpose of the Remuneration Committee is to establish a formal and transparent procedure for developing policy on executive remuneration and to set the remuneration packages of individual directors, as required by the QCA Code. We are in the process of reviewing the Group LTIP with a view to reset the Scheme to ensure it is aligned with business targets.

COMMITTEE MEMBERSHIP

The Remuneration Committee comprises solely independent Non-Executive Directors and comprises Jeremy Schwartz as the Chair and Derek Zissman. Information on the skills and experience of all Committee members can be found on page 31. On 16 December 2022 Gita Samani and Edward Rumsey resigned from the Board and are no longer involved in the business.

TERMS OF REFERENCE

The Remuneration Committee is required to meet at least twice each year. The terms of reference are available from the Group's website at <https://revolutionbeautypkc.com/corporate-governance/>

INDEPENDENCE AND EXPERIENCE

The Board considers that Jeremy Schwartz has sufficient relevant experience to chair the Remuneration Committee, given the numerous Board level positions he currently and previously held.

MEETING HELD IN 2021/22

From the period since Admission to the year-end date of 28 February 2022, the Remuneration Committee met once and was attended by all members with the exception of Gita Samani who sent her apologies for one meeting shown below:

		Member since	Number of meetings attended	Number of meetings held
Jeremy Schwartz	Chair	12 July 2021	1	1
Derek Zissman	Member	12 July 2021	1	1
Gita Samani (resigned 16 December 2022)	Member	12 July 2021	0	1
Edward Rumsey (resigned 16 December 2022)	Member	12 July 2021	1	1

The Group People Director, although not a member of the Remuneration Committee, also attended the first meeting.

The Directors shall not have the right to attend where the meeting of the Remuneration Committee is to discuss their personal remuneration. A member shall not be permitted to vote on any matter considered at a meeting in relation to which that member is considered by the Committee to have a direct or indirect personal interest.

ROLES AND RESPONSIBILITIES

The Remuneration Committee is responsible for all elements of the remuneration of the Executive Directors of the Company including, the Executive Chairman of the Board and other senior executives of the Group, as it is designated to consider.

The roles of the Remuneration Committee include:

- Determine and maintain the Remuneration Policy;
- Determine the remuneration packages of each Executive Director;
- Review the design of all share incentive plans;
- Determine the policy for and scope of the pension arrangements;
- Review the service contracts of the Executive Directors; and
- Review workforce remuneration and related policies.

Remuneration Committee Report (continued)

DIRECTORS' REMUNERATION POLICY

The Remuneration Committee determines, on behalf of the Board, the Group's policy for senior executives' remuneration and the individual remuneration packages for each Executive Director. The Remuneration Committee reviews the incentive and reward packages for the Executive Directors to ensure that they are aligned with the Group's strategic objectives and financial performance; are appropriate to attract, retain and motivate executive behaviour in support of the creation of shareholder value; and drive continued commitment of executives to the Group's success through appropriate incentive schemes.

The following table summarises the key elements of the Directors' Remuneration Policy and how it supports the Company's short and long-term strategic objectives:

Element and link to strategy	Operation	Maximum opportunity	Performance assessment
Base salary Provide a competitive base salary to attract, motivate and retain directors with the required experience and capabilities to achieve the Group's strategic aims.	Salaries are reviewed annually, and any changes are normally effective in the first quarter of the current financial year. The salary review will consider several factors including but not limited to: - the performance, role and responsibility of each Director. - the Group's business performance. - market data for similar roles and comparable companies. - the level of pay across the Group as a whole; and - the economic environment	Any increases will consider the performance and effectiveness of the individual as well as increases for the wider workforce.	None.
Benefits Provide a modest range of benefits in line with the Company's strategy to ensure remuneration incentivises outperformance.	Benefits are in line with those offered to the senior management team and include employee wellness allowances, sick and holiday pay. The Directors are entitled to be reimbursed for their travelling, hotel and other expenses incurred by them in connection with the business of the Company including, their expenses of travelling to and from meetings of the Directors, committee meetings, or general meetings.	The Group is working on a range of employee benefits that will be introduced over the next 12-24 months. The maximum will be set at the cost of providing the benefits described.	None.
Pension Provide appropriate retirement benefits.	Defined contribution plans are offered to all employees.	Pension contribution rate to comply with Auto-Enrolment Pension requirements.	None.

Element and link to strategy	Operation	Maximum opportunity	Performance assessment
Long Term Incentive Plan ("LTIP") Incentivise senior management to deliver long-term value creation for shareholders and ensure alignment with shareholder interests.	Awards can be granted in the form of conditional shares or nominal cost share options. Vesting is normally subject to the achievement of challenging performance conditions, normally over a period of three years. Awards may be subject to malus/clawback provisions at the discretion of the Committee.	The remuneration committee is working on a new LTIP for the new management team. No awards were made to the previous Executive Chairman and CEO.	Performance measures may include financial and share price performance-based targets. Performance criteria and weightings may change from year to year. The Remuneration Committee has the discretion to adjust the formula if they believe the outcome of the LTIP is not a fair and accurate reflection of business performance.
Share Incentive Plan ("SIP") Incentivise the wider employee base to deliver long-term value creation for shareholders and ensure alignment with shareholder interests.	Free shares were offered to all eligible employees employed by the Group from 28 February 2021 to 19 August 2021 as part of the IPO. The holding period in relation to the free shares is three years.	Maximum free shares up to the value of £3,600 to eligible employees excluding the previous Executive Chairman and CEO.	None.
Wellness allowance Provide £500 a year to spend on each employee's well-being.	The allowance can be used for wellness initiatives such as a gym membership or private healthcare.	Flat figure across all employees, paid through payroll, subject to tax and National Insurance deductions.	None.
Shareholding guidelines Increase alignment between Executive Directors and shareholders.	Executive Directors are expected to build a shareholding in the Company over time.	No minimum shareholding is required.	None.
Non-Executive Director fees Support recruitment and retention of Non-Executives with the necessary breadth of skills and experience. Provide fees appropriate to time commitments and responsibilities of each role.	Fees may include a basic fee and additional fees for further responsibilities. Travel and other reasonable expenses incurred in the course of performing their duties are reimbursed. Fees are paid in cash.	The Board is guided by the general increase for the broader employee population and takes into consideration relevant market movements.	None.

SERVICE CONTRACTS AND LETTER OF APPOINTMENTS

Executive Directors

The Executive Directors have a rolling service contract requiring 12 months' notice of termination from either party. Details of the service contracts in relation to each Director for their respective roles post-IPO are shown below:

	Role in the Group	Date of contract	*Yearly base salary
Executive Directors			
Tom Allsworth (resigned 24 May 2023)	Exec Chair	12 July 2021	£288,000
Adam Minto (resigned 9 November 2022)	CEO	12 July 2021	£360,000
Andrew Clark (resigned 12 May 2022)	CFO	12 July 2021	£240,000

*In addition to base salary, the service contract provides for pension contributions at the minimum level required to comply with Auto-Enrolment Pension requirements.

Remuneration Committee Report (continued)

NON-EXECUTIVE DIRECTORS

The Non-Executive Directors do not have service contracts but instead have letters of appointment dated 12 July 2021 for an initial term of 2 years. The appointments are subject to a 3-month notice period from either party. Non-Executive Directors' remuneration is approved by the Board.

Details of the letter of appointments in relation to each Director for their respective roles post-IPO are shown below:

	Date of letter of appointment	Yearly Director Fee
Non-Executive Directors		
Derek Zissman	12 July 2021	£60,000
Jeremy Schwartz	12 July 2021	£50,000
Gita Samani (resigned 16 December 2022)	12 July 2021	£40,000
Edward Rumsey (resigned 16 December 2022)	12 July 2021	£40,000

TOTAL FIGURES OF REMUNERATION

The table below reports the total remuneration received in respect of qualifying services by each Director in the financial year ended 28 February 2022.

FY22	Salary/Fee £	Wellness Allowance £	Pension £	Total £
Tom Allsworth	*277,975	500	–	278,475
Adam Minto	*342,524	500	–	343,024
Andrew Clark	*225,128	500	1,320	226,948
Derek Zissman	38,462	–	–	38,462
Jeremy Schwartz**	57,051	–	–	57,051
Gita Samani	25,641	–	–	25,641
Edward Rumsey	25,641	–	–	25,641
TOTAL	992,422	1,500	1,320	995,242

* Includes salaries received prior to IPO of £99,480 for Tom Allsworth, £119,376 for Adam Minto and £76,344 for Andrew Clark.

** Jeremy Schwartz's also received a consultancy fee of £50,000 for coaching in leadership and strategy for the CEO. The consultancy agreement was for a period of one year from 1 September 2021.

REVOLUTION BEAUTY GROUP PLC SHARE INCENTIVE PLAN

Under the Revolution Beauty Group plc Share Incentive Plan, a total of 362,250 free shares of the Company were awarded on 20 August 2021 to eligible employees. Each employee received a maximum of 2,250 free shares which were valued at £3,600 based on the IPO share price of £1.60. An employee must have been in continuous service from 28 February 2021 to 19 August 2021 to qualify for the SIP.

The free shares issued under the SIP are held by a trustee on behalf of the employees for a period of 3 years, during which time the shares may not be disposed of. Should the free shares be withdrawn by the participant, then these awards may be forfeited.

The free shares will be forfeited if an employee ceases to be in employment during the 3-year holding period commencing from the award date.

REVOLUTION BEAUTY GROUP PLC LONG TERM INCENTIVE PLAN

On admission of the Company to AIM, the Board adopted the Revolution Beauty Group plc Long Term Incentive Plan for its senior management members. Initial LTIP awards in respect of options over 955,567 ordinary shares were made to employees who participated in a legacy share plan and, as far as practicable, replicated the vesting periods for that previous plan. New LTIP awards in respect of options over 7,108,902 ordinary shares are subject to stretching performance conditions linked to the Company's financial and share price target.

All the LTIP options were awarded on 19 July 2021 and are classified as nominal cost options and therefore have an exercise price of £0.01 per ordinary share. The new LTIP options will vest from the 3rd anniversary of the date of grant and the exercise period is 10 years.

DIRECTORS' OUTSTANDING SHARE AWARDS

Below are the details of the outstanding share awards under the relevant share incentive schemes:

Executive Director	Share Scheme	Granted during the year	Lapsed during the year	Exercised during the year	Number of options/ share awards at 28 Feb 2022	Expiry date
Andrew Clark (resigned 12 May 2022)	SIP	2,250	–	–	*2,250	20 August 2024
	LTIP	225,000	–	–	**225,000	22 July 2031

*Andrew Clark was an Executive Director of the Company until 12 May 2022 and he left the business as an employee on 29 July 2022. All the SIP and LTIP awards granted to him were forfeited upon the cessation of employment in July 2022.

The spouse of Adam Minto, an Executive Director of the Company, is the Group's Global Digital Director. During FY22, Sally Minto was awarded 2,250 free shares under SIP and 230,014 share options under LTIP.

The spouse of Gita Samani, a Non-Executive Director of the Company, is the Group's Head of Digital Development. During FY22, Steven Griffiths was awarded with 2,250 shares under SIP and 17,188 share options under LTIP.

DIRECTORS' INTERESTS IN SHARES

The interests of the Directors and their connected persons in the shares of the Company as at 28 February 2022 are set out below. Since 28 February 2022 there have been no changes in the Directors' interests in shares.

	Beneficially owned at 28 Feb 2022	
	Number of ordinary shares	% of issued shares
Directors		
Tom Allsworth (resigned 24 May 2023)	48,838,993	15.77%
Adam Minto (resigned 9 November 2022)	*48,841,243	15.77%
Andrew Clark (resigned 12 May 2022)	222,054	0.07%
Derek Zissman	30,000	0.01%
Jeremy Schwartz	33,250	0.01%
Gita Samani (resigned 16 December 2022)	**2,250	nm
Edward Rumsey (resigned 16 December 2022)	nil	nil

*Includes 2,250 ordinary shares held by Sally Minto, the spouse of Adam Minto.

**2,250 ordinary shares held by Steven Griffiths, the spouse of Gita Samani.

Jeremy Schwartz

Chair of the Remuneration Committee
26 May 2023

Directors Report

The Directors present their Annual Report on the affairs of the Group together with the financial statements and Auditor's Report for the year ended 28 February 2022. The purpose of the Directors' Report is to provide shareholders with information about the Company, its Directors and its operations. The Strategic Report informs shareholders of, and helps them assess, how the Directors have performed in their duty to promote the success of the Company.

The Company changed its name from Revolution Beauty Topco Limited to Revolution Beauty Group Limited on 28 June 2021 and re-registered as Plc on 9 July 2021.

PRINCIPAL ACTIVITIES

The principal activity of the Group is to sell and distribute beauty products, makeup, haircare and skincare under a variety of brands. The products are distributed through various channels, including retailers, department store chains, wholesalers, distributors and ecommerce.

The principal activity of the Company is that of a holding company.

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

The review of the Group's activities, operations, future developments and key risks for the year is contained in the CEO Report on page 6.

The Group's revenue during the year was £184.6m (14 months to 28 February 2021: £157.6m and loss after tax of £44.9m (14 months to 28 February 2021: loss £17.3m).

RESULTS FOR THE YEAR

Results for the year ended 28 February 2022 are set out in the Consolidated Income Statement on page 71.

DIVIDENDS

No ordinary dividends were paid during the year under review. The Directors do not recommend payment of a final ordinary dividend for the year (2021: £Nil).

Directors

The Directors who served the Company during the year and up to the date of signing the financial statements were as follows:

T D Allsworth (resigned 24 May 2023)
 A N Minto (Resigned 9 November 2022)
 D M Miles (Resigned 12 July 2021)
 C Welch (Resigned 12 July 2021)
 A Clark (Appointed 28 June 2021 and resigned 12 May 2022)
 D Zissman (Appointed 12 July 2021)
 G Samani (Appointed 12 July 2021 and resigned 16 December 2022)
 E Rumsey (Appointed 12 July 2021 and resigned 16 December 2022)
 J J Schwartz (Appointed 12 July 2021)
 E J Lake (Appointed 12 May 2022)
 R Holt (Appointed 28 November 2022)

Appointment and Replacement of Directors

The rules governing the appointment and resignation of Directors are contained within the Company's Articles of Association. The Articles can be found on the Company's website at <https://revolutionbeautyplc.com>.

Directors' Interests

Directors' share options and interests in shares can be found in the Remuneration Report on pages 47 to 51.

DIRECTORS' INSURANCE

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third-party indemnity provision as defined by section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year, Directors' and Officers' liability insurance in respect of itself and its Directors.

SHARE CAPITAL AND SUBSTANTIAL SHAREHOLDERS

Details of the issued share capital, together with details of the movements during the year, are shown in Note 29 to the Consolidated financial statements.

As at 17 March 2023, the Company has been advised of the following significant shareholding interests in 3% or more of the voting rights:

	Number of shares	% of issued capital
Boohoo Group PLC	82,452,854	26.76%
Thomas Allsworth	48,838,993	15.77%
Adam Minto	*48,841,243	15.77%
Pentwater Capital Management PLC	19,377,101	6.29%
Hargreaves Lansdown	12,693,038	4.12%
Chelverton Asset Management	12,500,000	4.04%

*Includes 2,250 ordinary shares held by Sally Minto, the spouse of Adam Minto.

POST BALANCE SHEET EVENTS

Post balance sheet events can be found in Note 37 to the financial statements.

FINANCIAL RISK MANAGEMENT

Financial risk management is detailed in Note 25 to the financial statements.

STAKEHOLDER ENGAGEMENT

The section 172(1) statement on pages 23 to 26 provides details of how the Directors have engaged with shareholders, employees, customers, suppliers and the community during the year to ensure that positive business relationships are nurtured.

STREAMLINED ENERGY AND CARBON REPORTING

To fulfil our reporting obligations under The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 ("the 2018 Regulations") on Streamlined Energy and Carbon Reporting ("SECR"), we have measured our UK energy and greenhouse gas emissions as classified within Scope 1, Scope 2 and Scope 3 of the SECR regulations, which are presented in tables 1 and 2 as these are material to our organisation's activities.

We are not reporting non-mandatory elements of Scope 3 energy and GHG emissions as these are not material to our organisation.

Environmental Performance

We chose to follow and adapt, for SECR reporting, a widely recognised Greenhouse Gas Reporting Protocol – Corporate Standard methodology. As at 28 February 2022 the Company's energy usage and associated carbon emissions for the SECR Year 2, 1 March 2021 to 28 February 2022 were as follows:

Directors Report (continued)

Total energy consumption and associated greenhouse gas emissions from Scope 1, Scope 2 and Scope 3 for SECR Year 2 reporting period.

Energy Type:	SECR Year 2 12 months 1 March 2021 – 28 February 2022				
		Energy Use (kWh)	% Split (kWh)	Emissions (tCO ₂ e/yr.)	% Split (tCO ₂ e)
Combustion of Gas	(Scope 1)	738,551	80.84%	135.27	78.21%
Electricity	(Scope 2)	159,500	17.46%	33.87	19.58%
Transport – Grey Fleet	(Scope 3)	15,521	1.70%	3.82	2.21%
Total	(Scope 1, 2 and 3)	913,572	100.00%	172.96	100.00%

Note: Columns may not always add up due to rounding of numbers.

Energy Type:	SECR Year 1 14 months 1 January 2020 – 28 February 2021				
		Energy Use (kWh)	% Split (kWh)	Emissions (tCO ₂ e/yr.)	% Split (tCO ₂ e)
Combustion of Gas	(Scope 1)	842,126	81.63%	154.84	77.70%
Electricity	(Scope 2)	172,931	16.76%	40.32	20.23%
Transport – Grey Fleet	(Scope 3)	16,602	1.61%	4.12	2.07%
Total	(Scope 1, 2 and 3)	1,031,659	100.00%	199.28	100.00%

Intensity ratio

Intensity ratios compare emissions data with an appropriate business metric or financial indicator. This allows a comparison of energy efficiency performance over time and with other similar types of organisation. We chose to compare overall energy consumption and associated emissions against our annual turnover figure and the total number of full-time equivalent employees in the base year (FY21) and this has been repeated for FY22.

In addition, the historic SECR Year 1 energy performance indicators have also been presented to show our energy consumption trend. The SECR Year 1 energy and carbon emissions were adjusted to cover a 12-month period only rather than the 14 months reported as this allows comparison between the two years.

Intensity Ratio – Energy consumption and associated GHG emissions per the number of Full Time Equivalent (FTE) Employees

Reporting Year	Total Energy Consumption (kWh)	Total GHG emissions (tCO ₂ e)	Number of FTE Employees (–)	Intensity Ratio (kWh/ FTE Employees)	Intensity Ratio (tCO ₂ e/ FTE Employees)
SECR Year 1	888,103	171.55	174	5,104	0.986
SECR Year 2	913,572	172.96	208	4,392.2	0.832

Intensity Ratio – Energy consumption and associated GHG emissions per £100,000 of turnover

Reporting Year	Total Energy Consumption (kWh)	Total GHG emissions (tCO ₂ e)	Annual turnover (£)	Intensity Ratio (kWh/ £100,000 of turnover)	Intensity Ratio (tCO ₂ e/ per £100,000 of turnover)
SECR Year 1	888,103	171.55	112,890,394	786.69	0.152
SECR Year 2	913,572	172.96	169,799,952	538.03	0.102

Note that the turnover for SECR Year 1 has been adjusted to cover 12 months rather than the 14 months reported last year.

Energy intensity ratios are calculated and presented as advised by the Department of Business Energy and Industry Strategy (BEIS) recommendations.

The data shows that both turnover and staff numbers have increased from FY21 to FY22. This had a direct impact on the increase in energy consumption. The net result indicates a decrease in both intensity ratios for FTE employee numbers as well as for turnover.

POLITICAL DONATIONS

It is the Company's policy not to make political donations. The Directors confirm that no political donations were made during the year.

CORPORATE GOVERNANCE

The Group has signed up to the QCA Code of Conduct. Our Statement on Corporate Governance is included on pages 31 to 35 of the report.

GOING CONCERN

The Directors are pleased with the current performance of the business particularly given the challenging economic outlook and the disruption faced by the business in FY22 and FY23. The demand shown by customers has grown and reflects the strength of the brand. Steps taken with regard to the deferral and renegotiation of the Medichem consideration and the amendment of the Groups lending arrangements are significant in strengthening liquidity and providing a base from which to grow.

The Group has updated its base case forecast for the period through to May 2024 to reflect all aspects of its current operational structure and consider the impact of all of those factors.

The base case forecast is more conservative than those previously prepared and represents the new management team's prudent view of the likely performance of the business as it re-builds for the future, assessing the Groups performance over a period up to May 2024. A sustainable recovery in growth through to May 2024 is forecast. The first two months of FY24 have shown sales performing marginally ahead of the forecast. The base case forecasts that the Group will generate cash as it builds sustainable growth from a solid base, growth is expected to be achieved through current sales channels and some increased distribution, underpinned by marketing and capital investment as set out in the Group's strategy.

In addition to sustainable growth in sales, the base case forecasts that the management team's strategy will drive improvements in working capital, with inventory and receivables normalising in line with trading volumes. Existing trading terms with supplier and customers are forecast to be maintained under the base case.

In order to achieve its goals, certain steps to right size the cost base in line with the more conservative revenue forecasts have been taken, which brings the groups cost profile in line with the base case sales forecast and reflects a more normalised cost profile of the business.

Consideration has also been given in the forecast, to the significant accounting changes made during the year. EBITDA and cash flow forecasts allow for the impact of the Groups updated stock provision methodology and the potential cash impact of slow-moving stock.

Under the base case scenario, the lowest test point in the EBITDA covenant is May 2024, when there is £3,323k of headroom.

Having considered the information available and recent changes to the business, the directors are satisfied that the base case supports the application of the going concern assumption in preparation of the financial statements. Further details can be found in Note 2, including two downside scenarios.

However, the directors also recognise the challenges the business has faced since its listing on AIM and the underperformance of sales versus previous expectations, as well as the uncertainty in the wider economy. As noted above, the Directors have reset the strategy with reductions in forecast expenditure and improvements to the working capital cycle considered to be commensurate with the level of revenues forecast. The Directors are confident that the adopted strategy and actions taken to address the cost base and working capital cycle can be successfully executed. In the event that revenue falls below the level forecast in the base case scenario, the Directors are also confident that they are able to take mitigating actions to reduce controllable costs further on a timely basis, in order to maintain compliance with the Adjusted EBITDA and minimum liquidity covenant tests.

The directors acknowledge that, in the event either a financial or non-financial covenant were to be breached or that the Group is not readmitted to AIM within a reasonable timescale, the Group would be reliant on its lenders not requiring immediate repayment of the outstanding loan or obtaining alternative finance in order to continue to operate as a going concern. The lenders have provided a waiver in respect of the covenant relating to the Auditors qualifications in their audit report for these financial statements. Notwithstanding that the audit for the year ended 28 February 2023 has not yet commenced, the directors anticipate that certain qualifications will be carried into the Auditors opinion on the FY23 financial statements. The lenders have also confirmed their present intention to waive any further Event of Default which might occur as a result of the audit report to be issued by the Parent's Auditor in respect of the financial year of the Group ending 28 February 2023 containing qualifications which are substantially the same as qualifications on these financial statements.

These factors, in conjunction with the sensitivity identified in the severe but plausible downside scenario with respect to the recently agreed Adjusted EBITDA covenant, represent material uncertainty which may cast significant doubt over the Group's ability to continue to operate as a going concern. The financial statements do not include the adjustments that would be required should the going concern basis of preparation no longer be appropriate.

Directors Report (continued)

AUDITOR

BDO LLP were re-appointed as auditor to the Company during the year and have indicated their willingness to continue in office. In accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put to a vote at the next AGM.

STATEMENT OF DISCLOSURE TO THE AUDITORS

The Directors of the Company at the date of approval of this report confirm that:

- so far as each Director is aware, there is no relevant audit information of which the Group's and Company's auditors are unaware; and
- each Director has taken all reasonable steps they ought to have taken as a Director to make themselves aware of any relevant information and to establish that the Group's and Company's auditors are aware of that information.

ANNUAL GENERAL MEETING

Details of the matters to be conducted at the AGM will be contained in the Notice of Annual General Meeting which will be communicated separately to shareholders.

APPROVAL

The Directors' Report was approved by the Board on 25 May 2023.

Derek Zissman

Chairman

26 May 2023

Statement of Directors

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND ACCOUNTS

The Directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with UK adopted International Accounting Standards ('IFRSs') and have elected to prepare the parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 'Reduced Disclosure Framework'. Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period.

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Group's ability to continue as a going concern.
- In preparing the Parent Company financial statements, the Directors are required to:
 - select suitable accounting policies and then apply them consistently;
 - make judgements and accounting estimates that are reasonable and prudent;
 - state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
 - prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Derek Zissman

Chairman

26 May 2023

Independent Auditor's Report

Independent auditor's report to the members of Revolution Beauty Group Plc

Qualified opinion on the Group financial statements

In our opinion, except for the possible effects of the matters described in the Basis for qualified opinion section of our report, the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 28 February 2022 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the Group financial statements of Revolution Beauty Group plc (the 'Company') and its subsidiaries (the 'Group') for the year ended 28 February 2022 which comprise the Consolidated Statement of Profit or Loss and Other Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and Notes to the Consolidated Financial Statements, including a summary of significant accounting policies.

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

Basis for qualified opinion

As announced on 23 September 2022, we wrote to the Board on 21 September 2022 setting out a number of serious concerns with respect to certain governance and control arrangements in place over a number of key financial and business transactions that took place during the year ended 28 February 2022. We communicated to the Board a number of findings and issues and we recommended that the Board appoint external advisers to undertake an independent Investigation (the "Investigation"). The Company announced on 13 January 2023 the completion of that Investigation and its findings. Details of the findings of the Investigation are explained in note 37 to the Group financial statements. A number of the matters identified in our letter and by the investigation have led us to undertake additional audit procedures and have resulted in qualifications to our opinion. Each matter set out below represents a separate qualification to our opinion:

Potential liabilities and contingent liabilities

The Investigation report identified a number of matters and actions which could potentially lead to liabilities and contingent liabilities. Management have advised us that they have fully investigated these matters and have not identified any specific liabilities that may arise and as such no further provision or disclosure has been considered necessary by the Board. However, given the nature of these findings, we have been unable to determine whether further liabilities or contingent liabilities, such as claims, tax assessments or irregularities may subsequently materialise and we have therefore been unable to determine the impact that such further potential liabilities or losses may have on the financial position of the Group as at 28 February 2022, and/or whether any further contingent liabilities need to be disclosed in the notes to the Group financial statements.

Cancelled purchase orders

Management advised us that the Group had deferred purchase orders placed prior to and during the pandemic with a value of approximately £2.9m as at 28 February 2022. As a result of the trading terms with its suppliers, this has resulted in the Group having to negotiate a settlement for these unfulfilled orders. These negotiations are ongoing and management have recorded a liability of £1.1m as at 28 February 2022 as their best estimate of the unavoidable cost in meeting these commitments. We have been unable to obtain sufficient appropriate audit evidence to support the recognition of these commitments at the balance sheet date or whether the commitments should have been recognised in a prior period or constitute a non-adjusting post balance sheet event. Furthermore, given the weaknesses identified by the Investigation and the changes in management and the Board, we are unable to conclude that the unavoidable cost accrual is complete and accurate.

Carrying value of goodwill of Revolution Beauty Labs Limited (previously called Medichem Manufacturing Limited ("Medichem"))

In October 2021, the Group exercised an option to purchase the entire share capital of Medichem which was wholly owned by Tom Allworth (former Executive Chairman and co-founder of the Group). The option was exercised following completion of an independent valuation of Medichem. The Investigation identified a number of issues, which related to factors which were not considered as part of the assessment of the acquisition price, which could have a material impact on the valuation reported and the associated goodwill arising from the acquisition.

Goodwill arising on the acquisition of Medichem was reported at £15.8m. Management have prepared a set of forecasts to support the carrying value of goodwill of Medichem which has resulted in an impairment charge in the year of £13m leaving the carrying value at £2.8m as at 28 February 2022. There are significant uncertainties inherent in the forecast cashflows of Medichem due to the findings of the Investigation and the issues which were not considered at the time of the initial valuation. These uncertainties surrounding the cashflows create limitations in establishing an acceptable range in the discount rate to be applied to the forecasts.

As a result, we were unable to determine whether the subsequent impairment of the goodwill arising on the acquisition of Medichem is materially accurate and therefore whether any adjustment to the carrying value of goodwill and loss for the year included in the Group financial statements is required.

Related party disclosures

The Investigation identified a number of related party transactions of members of the Board and management which had not been disclosed to all members of the Board nor to us as the auditors. Management have set out in note 35 to the Group financial statements those related party transactions that have been identified through the Investigation as well as those that have been captured during the ordinary course of business. We also refer to note 35 to the Group financial statements where the Board has assessed and disclosed in the Group financial statements that Key Management is limited to the Board of Directors.

There are a number of limitations in us being able to conclude that related party transactions and key management disclosures are complete. The key reasons giving rise to these limitations are as follows:

- the findings from the Investigation as to actions and involvement of certain individuals in the business and engagement with key trading partners may suggest that Management may not have identified all individuals required to be considered as Key Management. However, it has not been possible for us to be conclusive in this respect;
- certain of the Directors that were members of the Board and other senior individuals are no longer with the Group and we are therefore limited as to enquiries that can be made of Management who were present throughout the year being audited; and
- there is an absence of appropriate processes and records in the year to capture all related parties and transactions that may have taken place with those parties.

Should there be further relationships which by their nature would be disclosed as related parties, then transactions made with those parties may have been made outside normal commercial terms which may result in revisions being required to the recording of such transactions. We have therefore been unable to conclude that the Group financial statements are free from material misstatement arising from the omission of related party transactions being fully disclosed and we are unable to determine whether the disclosures in respect of related party transactions in the Group financial statements are complete and accurate.

Further, we have been unable to determine whether the disclosures in respect of Directors' remuneration are complete and accurate.

In addition, and without further modifying our opinion, a number of other matters highlighted by the Investigation have been included within the key audit matters section of this report.

Our opinion on the current period's Group financial statements is also modified because of the possible effect of these matters on the comparability of the current period's figures and the corresponding figures.

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 Group financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Independence

We remain independent of the Group in accordance with the ethical requirements that are relevant to our audit of the Group 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.

Material uncertainty related to going concern

We draw attention to note 2 to the Group financial statements, which indicates the following:

- under the terms of the amended facility agreement, the Group is required to relist on AIM within a reasonable timeframe to be agreed with the Lenders. If the Group is unable to achieve this the Group would be in breach of the amended facility agreement;
- under the terms of the amended facility agreement, an Event of Default arises where a qualified audit report is issued on the consolidated financial statements. The Lenders have issued a waiver in respect of this clause relating to the year ended 28 February 2022 and have confirmed their present intention to issue a similar waiver relating to the financial statements for the year ended 28 February 2023 provided that any qualifications in respect of that year are substantially the same as those set out in the Basis for qualified opinion section of our report on the financial statements for the year ended 28 February 2022. In the event that such a waiver is not forthcoming, the Group would be in breach of the amended facility agreement; and
- if the Group was unable to achieve its forecasts and be unable to implement mitigating actions within the Group's control on a timely basis, it may breach covenants or the minimum liquidity threshold set out in its amended facility agreement.

In respect of any or all of the above breaches of the amended facility agreement, the Group is reliant on the support of its Lenders to waive any or all of the above breaches of the facility or the Group would need to seek alternative sources of funding to repay all amounts due under the amended facility agreement and provide the Group with sufficient ongoing finance to continue as a going concern.

As stated in note 2 to the Group financial statements, these events or conditions, along with other matters as set out in note 2 to the Group financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. The Group financial statements do not include any adjustments that may be necessary if the Group is not a going concern. Our opinion is not modified in respect of this matter.

Independent Auditor's Report (continued)

We considered going concern to be a Key Audit Matter because of the significance of this issue. The scope of our audit addressed this Key Audit Matter through performing the following procedures:

- we assessed the Directors' forecasts with the assistance of business restructuring specialists to test the application and completeness of assumptions approved by the Directors within the forecasts and checked the model mechanics including the mathematical accuracy;
- we evaluated the reasonableness of the assumptions and future plans modelled within the Directors' base case forecasts and the Directors' severe but plausible downside scenario including whether such plans and assumptions are consistent when compared to past performance and align with expectations within the wider retail industry and adjusted for the Group's specific circumstances;
- we inspected the Group's revised covenant terms included in the amended facility agreement to gain evidence that the scenarios modelled had appropriately considered these revised covenant terms;
- we further considered the Directors' assessment of their anticipated compliance with the non-financial covenants included in the amended facility agreement to determine whether these result in a material uncertainty or not;
- we considered the Directors' assessment of the adequacy of headroom on the financial covenants under both the base case and the severe but plausible downside scenario;
- we also considered the severe but plausible downside scenario and the extent to which the likelihood of this scenario was sufficiently low to support the Directors' conclusion that events and conditions identified result in material uncertainty in relation to the adoption of the going concern basis in the preparation of the Group financial statements as opposed to the going concern basis not being appropriate and the Group financial statements being required to be prepared on an alternative basis; and
- we considered the adequacy of the disclosures in the Group financial statements against the requirements of accounting standards and consistency of the disclosures against the Directors' base case forecasts and the Directors' severe but plausible downside scenario.

In auditing the Group financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the Group financial statements is appropriate.

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

Overview – for the year ended 28 February 2022

Coverage¹	80% of Group loss before tax 100% of Group revenue 94% of Group total assets
Key audit matters	• Material uncertainty related to going concern • Business acquisition of Revolution Beauty Laboratories Limited and the associated Deferred Consideration (previously called Medichem Manufacturing Limited ("Medichem")) • Carrying value of non-current stand assets • Revenue recognition • Management override of controls • Inventory Provision • Existence and valuation of trade receivables The Company listed on the Alternative Investment Market of the London Stock Exchange in July 2021 and this is therefore the first year where key audit matters are being reported.
Materiality	Group financial statements £0.9m based on 0.5% of revenue.

An overview of the scope of our audit

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

As a result, we identified two significant components, namely: Revolution Beauty Limited in the UK and Revolution Beauty Inc. in the US. The Group audit team completed full scope audits on the Parent Company and the two significant components.

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

Non-significant components were subject to either audit procedures on specified balances and/or desktop review procedures. The audit procedures on specified balances were performed by a component audit team in respect of one of the non-significant components. Desktop review procedures comprised Group level analytical procedures of each non-significant component, performed by the Group audit team.

Our involvement with component auditors

For work performed by the component audit team, we determined the level of involvement needed in order to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole. Our involvement with the component audit team included the following:

- the Group audit team was actively involved in the direction of the audits performed by the component audit team for Group reporting purposes, along with the consideration of findings and determination of conclusions drawn;
- we directed the significant areas to be covered by their audit including determining component materiality and specifying the balances subject to audit procedures for Group purposes;
- we directed the efforts of the component audit team towards the group-wide areas of risk, such as inventory and journal testing, including risks of fraud, to ensure the testing plan that was agreed would address the risks of material misstatement; and
- regular communication with the component audit team took place throughout the planning, execution and completion phases of the audit to assess the planned testing, emerging findings and conclusions drawn.

Key audit matters

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

In addition to the matters included in the Basis for qualified opinion and the Material uncertainty related to going concern sections above, we determined the matters described below to be additional key audit matters to be communicated in our report. This is not a complete list of all risks identified by our audit.

Independent Auditor's Report (continued)

Key audit matter	How the scope of our audit addressed the key audit matter
Business acquisition of Revolution Beauty Labs Limited and the associated Deferred Consideration (previously called Medichem Manufacturing Limited ("Medichem")) £4.8m (2021: £nil) of goodwill in respect of Medichem. Note 2 sets out the accounting policy for the business combination of the above acquisition. Note 16 sets out the value attributed to the associated goodwill. Note 32 sets out the book value and fair value adjustments to the acquisition and the consideration payable. Note 35 sets out the related party transaction in respect of the acquisition. Note 37 sets out events subsequent to the year-end impacting the deferred consideration.	We challenged management as to the effective date of control for the appropriate acquisition date between the date of granting the option and the exercise of the option to acquire the business. We agreed the amounts set out in the Purchase Agreement for the acquisition of Medichem to the accounting records of the Group. We challenged management by using our Valuation experts to read the acquisition documents to satisfy ourselves that management had identified all relevant intangibles relating to the acquisition and therefore recognised all of these in the accounting for the acquisition. Except for the non-attendance at stock-counts as noted in the Basis for qualified opinion section above, we agreed the underlying assets and liabilities of Medichem on acquisition to supporting evidence and recalculated the resulting goodwill. We read the valuation report performed in October 2021 used by management to determine the consideration price. We challenged management on a number of the key inputs used in the valuation report to provide supporting evidence and/or their rationale and therefore to support the robustness of the resulting valuation. We specifically raised challenges arising from other areas of the audit in the context of Medichem and also the discount rate applied to the valuation on the concentration of revenue on one customer. We reviewed the Group financial statements and the associated notes to confirm that the disclosures with respect to acquisition accounting were appropriate and sufficient with reference to the requirements of IFRS 3: Business Combinations. Key observations: We consider that the accounting for the acquisition was in line with applicable accounting standards and agreed to the terms of the Purchase Agreement for the acquisition of Medichem during the year. If, as a result of the second valuation, an agreement is reached once the ongoing negotiations with the Vendor completes and which results in an amendment to the purchase consideration and the resulting goodwill initially recorded, this would be regarded as an event subsequent to the 28 February 2022 year-end and therefore will only be recorded in the Group financial statements of a subsequent reporting period once such an agreement is reached. We are satisfied that the disclosures in respect of the acquisition are sufficient and in compliance with accounting standards.

Key audit matter	How the scope of our audit addressed the key audit matter
Carrying value of non-current stand assets £7.8m (2021: £21.5m) of stand assets at their carrying value including an impairment charge of £1.9m (restated carrying value as at 1 March 2021: £10.0m after impairment charge of £11.5m) which has been accounted for through opening reserves (Note 17). Note 2 sets out the accounting policy for the initial recognition and subsequent measurement of property, plant and equipment. The policy also sets out the justification as to why these stand assets qualify as the Group's assets and the useful economic life over which they are depreciated. Note 3 sets out the key judgements made in determining whether stand assets are impaired, the key sources of estimation uncertainty in the expected future cashflows and the selecting of an appropriate discount rate to be applied. Note 4 sets out the treatment of the prior year error identified in respect of the impairment of the stand assets and the related impact on the Group financial statements. Note 17 sets out the value attributed to the above stand assets as a category of property, plant and equipment.	Management performed a value in use (VIU) calculation for the impairment assessment and we carried out the following procedures: - considered the impairment indicators identified by management and challenged them to extend their assessment given the loss-making position of the group and to carry out an impairment assessment of all stand assets; - challenged management on the appropriateness of level of the cash generating units (CGU) at which to carry out the impairment assessments and agreed with the conclusion that this was represented by each store group customer within the UK and the US; - agreed the carrying value of assets being assigned to each CGU by agreeing all directly attributable assets to the detail of the fixed asset register. We concurred with management's assessment that there was no equitable way of apportioning the corporate assets across the customer base and that these would be assessed at a higher level CGU after assessing the requirements of IAS36 – Impairment of Assets, in this regard; - challenged management on the most appropriate set of cashflows to be used for the impairment assessment. We requested that management prepare a bridge between the actual results for FY22 and the "normalised" cashflows for the year ending 28 February 2023 (FY23) and sought from management support for the bridge with evidence as appropriate. We checked the allocation of central costs to each of the CGU's and the basis of the allocation; - engaged our internal valuation experts to assist in calculating an appropriate discount rate applicable to the Group, both for the UK related cashflows as well as the US related cashflows; - the mathematical accuracy of the VIU calculation was confirmed via a recalculation by the audit team of the recoverable amount determined by management; and - inspected the adjusting journal entries posted to check they met our expectation of the impact of the impairment to the carrying value as well as any related adjustments required to reverse the relevant depreciation already posted. The prior year error (PYE) was audited on the same basis as above. As the adjustments to the inventory provision set out in the 'Inventory Provision' Key Audit Matter below were a key element in assessing the timing of the stand impairment correction, it was assessed that it was not practicable to determine the point at which this adjustment should have been made and in which period's Group financial statements an adjustment should be made. Therefore, as required by IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors, the impact of the PYE was calculated on the stand assets as at the 1 March 2021 opening balance sheet and the movement in the carrying value of stand assets was recorded through retained earnings brought forward and not in the prior year comparatives. We reviewed the Group financial statements and checked that the disclosures related to both the FY22 impairment charge and the PYE were appropriately disclosed by reference to the requirements of the relevant accounting standards. Key observations: We consider that the judgements and estimates made by management in determining the value of stand assets were appropriate. We are also satisfied that the impairment charge calculated is appropriately reflected in the opening position of retained earnings brought forward at the start of the financial year.

Independent Auditor's Report (continued)

Key audit matter	How the scope of our audit addressed the key audit matter
Revenue recognition Note 2 – sets out the accounting policy per revenue stream for the recognition of revenue and the measurement of that revenue including consideration of all deductions to gross revenue initially recognised. Note 3 – sets out the key sources of estimation uncertainty included in the process of determining the level of returns expected in order to arrive at a provision for returns and resultant reduction to revenue. Note 7 – sets out the analysis of the Group's revenue by class of business as well as by geographical market. Note 37 – sets out the details of the Investigation findings that confirmed the proposed audit adjustment to reverse certain revenue recognised within FY22.	The following procedures were carried out in response to the risks identified: Business to Consumer revenue (B2C) We used our IT specialists to perform work over the operating effectiveness of the IT General Controls (ITGCs) and the IT environment and concluded their operational effectiveness over the Group's website (Salesforce) for B2C revenues, the General ledger (NetSuite) and the interface between those systems. Our IT specialists also carried out data analysis over the data extracted from Salesforce which is the source of B2C transactions and performed the following procedures: - gross data from Salesforce to NetSuite was reconciled with testing carried out on any exceptions noted by obtaining evidence to support the exceptions identified; - the quantity movement was reconciled between the stock records in the Group's general ledgers (NetSuite) for items recognised as sold and therefore included as revenue, to the Group's stock system for B2C revenue; - we obtained statements from the Group's Payment Clearing providers and reconciled the receipts in total to the Group's General Ledgers; and - where we identified exceptions and anomalies as part of the data analytics performed, we confirmed the validity of such anomalies by agreeing those entries to appropriate supporting evidence. Business to Business revenue (B2B) We performed the following procedures: - for a sample of customer contracts with significant retail store groups and consignment customers, we read the terms of business to confirm that the appropriate application of IFRS 15 had been applied, and we agreed those terms back to the recognition of revenue where appropriate; - for a sample of revenue items recorded in the general ledger, we agreed the revenue recorded to supporting documentary evidence and the receipt of cash; and - as part of the above testing, we noted that certain sales recognised in February 2022 were inappropriately recorded in FY22. We noted that for these items the payment by the customer was not being made under normal trading terms and had not been received at the time of our audit. Consequently, we revised our approach to perform further audit work on the trade receivables to identify whether there were other recorded invoices where revenue had been recognised in FY22 but which had not yet been settled. We found instances where either the inventory had not been delivered, and therefore the performance obligation of goods being transferred to the customer had not taken place before the year end, and / or where the collection of payment for goods delivered was not reasonably assured at time of recognition of the revenue. The result of these additional audit tests, including the work as set out in the Trade Receivables key audit matter below, resulted in the reversal of £9.6m of revenue initially recognised in FY22 by management (see note 37 to the Group financial statements for further details of this adjustment). As part of our response to the risk of fraud due to management override of controls, we performed the following procedures relevant to revenue with the assistance of our IT specialists: - we performed data analytics to identify entries posted in the general ledgers to revenue via journals processed which were of audit interest, such as those considered to be unusual; - we identified who posted the journal to agree that it aligned to their role; and

Key audit matter		How the scope of our audit addressed the key audit matter
		where we considered this to require further investigation, we challenged management to understand the nature or reason for the journal and sought to obtain further evidence to support the validity of the journal entry. We also reviewed the Group financial statements to confirm that the disclosures with respect to revenue were appropriate and sufficient with reference to the requirements of IFRS 15. Key observations: Based on the work performed, and following the adjustment made to revenue as noted above and as set out in note 37 to the Group financial statements, we are satisfied that revenue reflected in the financial statements has been recognised appropriately in accordance with the Group's accounting policies and the accounting standards.
Management override of controls	As a result of our audit, the Group has made adjustments for misstatements relating to inventories, stand assets, supplier support payments and rebates, liabilities for cancelled orders and loan classification as at 28 February 2021 (see note 4). There is a risk that the absence of controls which allowed for these items to remain uncorrected in the Group financial statements could persist in similar or other areas. In addition, there is evidence from the Investigation, and our work, that senior management were able to override the controls that were in place during and subsequent to the year ended 28 February 2021 and there is evidence that this situation continued in FY22. As a result, there is a risk that controls may not have prevented or detected and corrected material misstatements on a timely basis more broadly in the Group financial statements for the year ended 28 February 2022.	We involved our forensic specialists in our response to, and our audit of, the findings of the Investigation. We evaluated the terms of engagement and credentials and independence of the Group's appointed forensic investigators. We critically assessed the detailed findings and using our forensic experts considered if the approach taken was reasonable and whether any additional procedures were considered necessary. We also considered the nature of the findings and undertook additional procedures and testing to satisfy ourselves where we considered it was necessary. Based on the prior period and current year misstatements noted, as well as the results of the Investigation, we reassessed our planned audit approach, revising our risk assessment in respect of certain areas of the Group financial statements and consequently revising and extending our audit procedures in those areas where errors had been identified or where matters had been raised through the Investigation. We also revisited and lowered our performance materiality used in testing as appropriate. Our audit approach was entirely substantive, with no reliance on internal controls, and management explanations were assessed against the available evidence that was considered to be reliable. In light of findings from the Investigation we performed an extended analysis of work already carried out on the IT systems relevant to the audit, with a specific focus on access rights to those systems and the risks related to access gained to and activity within those systems in the year. An extended analysis was also carried out over journal entries with higher risk criteria and which we agreed back to supporting documentation where considered appropriate. We extended the scope of our work throughout the audit, deepening our inquiries, and applying additional challenge, iteration and scepticism in all areas. We sought alternative representations and required additional procedures to be performed to support those representations where in our judgement, these were considered to be necessary. Key observations: From the evidence obtained, we considered the risk of management override of control to have been reduced to an acceptable level for the reported financial position as at 28 February 2022, and for the financial results of the year then ended.

Independent Auditor's Report (continued)

Key audit matter	How the scope of our audit addressed the key audit matter
Inventory provision £45.0m (2021: £63.3m) after provision of £39.8m (1 March 2021: £33.0mm) of inventory held at the balance sheet date. Note 2 sets out the accounting policies for inventory. Note 3 sets out judgements and key sources of estimation uncertainty within inventory. Note 4.5 sets out the correction of the prior year error. Note 19 sets out the components of inventory and amounts recognised as an expense in the period. The Group has significant inventory holdings. With the changes in fashion and trends, demand for these products results in limited life cycles and the Group has been continuously launching new products to stay on trend. This heightens the risk of impairment of inventory where such new launches (with minimum order quantities) are not successful. Inventories are carried at the lower of cost and net realisable value. Determining net realisable value requires significant estimates to be made in relation to: • future selling prices and volumes; and • the future costs associated with selling the inventory The Group's previous methodology for calculating its inventory provision contained a number of errors and omissions as set out in note 4. These principally related to: • not including cost to sell in the calculation of net realisable value; • not including products launched in the previous 12 months or goods in transit in the inventory provision calculation; and • using inappropriate percentages to provide against excess and obsolete inventory This resulted in a number of changes to the Group's accounting policies in respect of inventory, including the methodology applied by Management to calculate the stock provision. Management have extracted extensive data to enable them to analyse historical trends to support the sale through volumes of inventory, both for existing lines of stock and new products launched in the year, and subsequently prepared a new inventory provision calculation to correct the prior period errors. The trends demonstrate that these errors existed as at 31 December 2019 and 28 February 2021. However, due to changes in the Group's accounting system in 2018 and changes in personnel, there is limited financial information that is now readily available, which can be identified as being available at the time of approval of the financial statements for the prior periods, to determine accurately the restatement of the error for each of the prior accounting periods. Therefore, the adjustment to the inventory provision has been, as permitted by IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors, recalculated on the first day of the accounting period of audit, 1 March 2021, and recorded in retained earnings brought forward as at 1 March 2021. The charge to retained earnings at this date is £27.2m. Due to additional stock purchases and deteriorating trading conditions, the increase in the stock provision from 1 March 2021 to 28 February 2022 is £11.3m and this has been reflected in the Statement of Total Comprehensive Income for the current year.	Management initially adopted a new methodology to calculate the inventory provision and recorded an initial provision of £8m as at 28 February 2022. Following our testing of this new methodology, we concluded that the data used was not sufficiently reliable nor sufficiently relevant to accurately calculate the inventory provision. After further challenge to the Board, the Group reverted to its previous methodology. We then challenged the calculation of this provision including whether it was appropriate, as had previously been the policy, to: • exclude new product lines from the provision calculation; and • exclude costs to sell inventory in the provision calculation. In addition, there was insufficient appropriate audit evidence to support the percentages used by management to calculate the provision. Following the above challenges, in September 2022, a revised provision calculation was produced which took into account the challenges noted and resulted in an increased provision of £39.8m. We completed the following audit procedures to address the risks and issues identified: • obtained an understanding of the new stock provision methodology and policies, together with how estimates and assumptions were determined by management; • understood the changes in the provisioning methodology and challenged their appropriateness; • assessed the accuracy and completeness of the information used by management in calculating the provision by performing accuracy and completeness tests over the data used in both the calculation of the inventory provision and the analysis of the sell through of inventory in previous years prepared by management to support the provision; • challenged and assessed the key assumptions applied by management in estimating the provision, including the percentages used to calculate the forecast rate of sales and the percentages used to determine excess stock; and • considered the adequacy of the disclosures in the Group financial statements against the requirements of the relevant accounting standards. Key observations: We are satisfied that the changes made by management in calculating the final provision and the associated disclosures are appropriate and aligned with relevant accounting standards. We also concur with management's conclusion that it is impractical to calculate the errors in the stock provision as at 31 December 2019 and 28 February 2021. We are satisfied with the approach adopted to calculating the inventory provision as at 1 March 2021 is required by IAS 8 in such situations and that the adjustment to opening retained earnings as at 1 March 2021 is reasonable.

Key audit matter	How the scope of our audit addressed the key audit matter
Existence & valuation of trade receivables: £47.6m (2021: £34.4m) of trade receivables as at balance sheet date. £2.0m (2021: £0.4m) Impairment of trade receivables as at balance sheet date. Note 2 sets out the accounting policy for trade receivables and the impairment of trade receivables (i.e. Expected Credit Losses). Note 3 sets out the key judgements and sources of estimation uncertainty within trade receivables (i.e. Expected Credit Losses). Note 20 sets out the components of trade & other receivables and the loss allowance for Expected Credit Losses of those assets. Note 37 sets out details of the reversal of £9.6m revenue and receivables following the findings of the audit and Investigation.	The following procedures were carried out in response to the risks initially identified: • we obtained confirmation statements from key customers of the Group; and • we agreed the cash received since the year-end in respect of a sample of customers to documentary evidence and also evidenced deductions from the final remittance made; The results of our initial testing highlighted specific areas of concern as outlined, and in response we performed the following additional procedures: • we extended the coverage of our sample testing to confirm cash received since the year-end, as noted above, to test further the recoverability of the year-end balances; • previous audit evidence obtained on a sample of trade receivables by confirmation with the customers and agreeing to proof of delivery was re-visited to obtain further evidence of post year-end receipts and deductions to assess the recoverability of the year-end balance; and • in order to identify anomalies, for certain specific key customers, we performed an analysis of "in-year" sales, post year-end sales and post year-end credit notes issued. We obtained payment plans, specific distributor agreements, financial statements of specific distributors, and related correspondences in order to understand the nature of the commercial arrangements with these distributors. The result of these additional audit tests, together with our testing on revenue as described in the 'Revenue recognition' key audit matter above, resulted in the reversal of £9.6m of revenue initially recognised in FY22 by management (see note 37 to the Group financial statements for further details of this adjustment). As part of our testing of the ECL model we performed the following: • we obtained an understanding of the methods management used in calculating the ECL; • we obtained and challenged management's paper for IFRS 9 ECL and specific provision by evaluating management's assumptions against our industry knowledge and the results of our testing specific to the Group; • we concluded on the reasonableness of the assumptions used in the ECL model, taking into account the findings from our recoverability of trade receivables testing; • we recalculated the ECL to check mathematical accuracy; and • we evaluated the adequacy of the disclosures included in the Group financial statements in accordance with the requirements of IFRS 9: Financial instruments and IFRS 7: Disclosures. Key Observations Based on the work undertaken, we consider the judgements made by management in considering the existence and valuation of trade receivables to be reasonable.

Independent Auditor's Report (continued)

Our application of materiality

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

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

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

	2022
Materiality	£0.9 million
Basis for determining materiality	0.5% of revenue
Rationale for the benchmark applied	Revenue represents the most appropriate benchmark of trading for the Group given the volatility in performance caused by significant growth in the Group but also the findings and issues highlighted by the Investigation.
Performance materiality	£0.54 million
Basis for determining performance materiality	60% of overall materiality We considered a number of factors including the expected level of known and likely misstatements, our knowledge of the group's internal controls and management's attitude towards proposed adjustments

Component materiality

We set materiality for each component of the Group based on a percentage of between 39% and 90% of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £350,000 to £810,000. In the audit of each component, we further applied performance materiality levels of 60% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £27,000. We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report and Accounts other than the Group financial statements and our auditor's report thereon. Our qualified opinion on the Group 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 Group financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the Group 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.

As described in the Basis for our qualified opinion section above, the scope of our audit was limited in several areas as set out in that section. We have concluded that where the other information refers to any of the balances covered by the limitation of scope the other information may be materially misstated for the same reasons.

Other Companies Act 2006 reporting

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

Strategic Report and Directors' report	Except for the possible effects of the matters described in the Basis for qualified opinion section of our report, in our opinion, based on the work undertaken in the course of the audit: - the information given in the Strategic Report and the Directors' report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements; and - the Strategic Report and the Directors' report have been prepared in accordance with applicable legal requirements. Except for the possible effects of the matters described in the Basis for qualified opinion section of our report above, in the light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' report.
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Matters on which we are required to report by exception	Arising from the limitation on the scope of our work as set out in the “Basis of the qualified opinion” section above, we have not obtained all the information and explanations that we considered necessary for the purpose of our audit. We have also been unable to determine whether certain disclosures of directors’ remuneration specified by law have been made and are complete.
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Responsibilities of the Directors

As explained more fully in the Directors’ responsibilities statement, the Directors are responsible for the preparation of the Group 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 Group financial statements, the Directors are responsible for assessing the Group’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 to cease operations, or have no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the Group financial statements

Our objectives are to obtain reasonable assurance about whether the Group 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 Group financial statements.

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

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

- we gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, through discussion with management and the Audit Committee and our knowledge of the industry. We focused on significant laws and regulations that could give rise to a material misstatement in the Group financial statements, including, but not limited to, the Companies Act 2006, the AIM Rules, relevant accounting standards and UK tax legislation;
- we considered the risks of potential non-compliance with these laws and regulations in our initial planning and risk assessment work and communicated these risks to the engagement team to consider in planning and executing their work; and
- following the identification of relevant findings and concerns from our audit work, and the subsequent Investigation by the Investigation Committee, we re-considered our planning and risk assessment and identified potential additional fraud risks.

We considered the fraud risk areas to be management override of controls and revenue recognition, specifically the overstatement of revenue in the last two months of the financial year, valuation of inventory through an understatement of the provision, the valuation of goodwill on the acquisition of Medichem through an overstatement of the initial valuation leading to the purchase price, completeness of related party transactions which impact the commercial terms of transactions and the existence and valuation of trade receivables.

Where possible we designed additional audit procedures to address these and communicated these additional risks and procedures to the audit team.

The specific work we have undertaken to address the risk of fraud in the Group financial statements has included:

- considering whether there are undisclosed related party transactions. Due to the evidence in the Investigation Report of potential related parties which were not previously disclosed to the Board, and inherent limitations of our work and the Investigation in this area, we have considered it necessary to qualify our opinion in this area, as set out in the Basis for qualified opinion above;
- testing the cut-off of revenue and the validity of revenue transactions recorded in the records of the Group with a particular focus on the last two months before the year end (see the keys audit matters section above);
- working with our IT specialists to identify journal entries with characteristics of audit interest based on our fraud risks assessment and then assessing whether these were appropriate by obtaining evidence to support these journals;
- assessing the key assumptions used in the determination of the inventory provision and challenging these by reference to data on historic and post year-end sales (see the key audit matters section above).
- challenging assumptions and judgements made by Management in their significant accounting estimates and judgements in other areas also, including in particular, in relation to impairment assessment for the carrying value of fixed asset stands (see the “Inventory provision” key audit matter above);
- considering the appropriateness of alternative performance measures and testing their calculation and rationale for inclusion as alternative performance measures;

Independent Auditor's Report (continued)

- challenging Management on the key inputs of the Medichem valuation report, reviewing and considering the purchase trends between the Group and Medichem pre and post exercise of the option and challenging the rationale for the discount factor applied for the customer concentration;
- considering whether there are potential additional liabilities arising as a result of matters identified through the Investigation Report. Due to the inherent limitations in assessing these we have qualified our audit work in this respect as set out in the Basis for qualified opinion above; and
- involving our forensic specialists in our audit of the findings of the Investigation and allocating further senior team members to the audit team.

Based on the prior period and current year errors noted as well as the results of the Investigation, we reassessed our planned audit approach, revising our risk assessment and responses to address the increased risk attached to certain areas of the Group financial statements and revising our materiality (see also the key audit matters above).

Our audit procedures were designed to respond to risks of material misstatement in the Group financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it. In addition, the extent to which the audit was capable of detecting irregularities, including fraud was limited by the matter described in the Basis for qualified opinion section of our report.

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.

Other matter

We have reported separately on the Company financial statements of Revolution Beauty Group Plc for the year ended 28 February 2022. The opinion in that report is a disclaimer of opinion.

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.

Sophia Michael (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK
26 May 2023

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 28 February 2022

	Note	Year ended 28 February 2022 £'000	14 month period ended 28 February 2021 As restated £'000
Revenue	7	184,579	157,640
Cost of sales		(113,551)	(87,723)
Gross profit		71,028	69,917
Marketing and distribution costs		(49,546)	(43,795)
Administrative expenses			
– General administrative expenses		(35,038)	(35,575)
– Impairment losses on financial assets		(1,428)	(388)
– Impairment of property, plant and equipment		(1,948)	–
– Impairment of goodwill		(13,000)	–
– IPO related costs		(8,936)	–
Total administrative expenses		(60,350)	(35,963)
Other operating income	10	5	385
Operating loss	10	(38,863)	(9,456)
Finance income	12	76	–
Finance costs	13	(6,110)	(8,304)
Loss before taxation		(44,897)	(17,760)
Income tax credit/(expense)	14	1,174	(86)
Loss for the year/period		(43,723)	(17,846)
Other comprehensive income net of taxation			
Exchange differences on translation of foreign operations – may be reclassified to profit and loss		158	453
Total comprehensive loss for the year/period		(43,565)	(17,393)
Earnings per share (p)	15	(15.5)	(7.4)
Diluted earnings per share (p)	15	(15.5)	(7.4)
Adjusted EBITDA*	5	(801)	13,427

* Adjusted EBITDA is a non-GAAP measure and is defined as Operating Loss adjusted for depreciation and amortisation, impairments and reversals of impairment, profits and losses on the disposal of assets, share based charges and releases and operating exceptional items as disclosed in note 5.

The notes on pages 77 to 116 are an integral part of these financial statements.

Refer to Note 4 for detailed information on the correction of prior period errors.

Consolidated Statement of Financial Position

As at 28 February 2022

	Note	As at 28 February 2022 £'000	As at 28 February 2021 As restated £'000	As at 1 January 2020 As restated £'000
Non-current assets				
Intangible assets	16	9,837	4,657	5,793
Property, plant and equipment	17	8,215	21,883	24,836
Right-of-use assets	18	4,150	1,065	1,979
Trade and other receivables	20	–	540	1,079
Total non-current assets		22,202	28,145	33,687
Current assets				
Inventories	19	44,683	63,313	57,815
Trade and other receivables	20	55,334	39,738	35,178
Corporation tax recoverable		1,384	170	4
Cash and cash equivalents	21	15,619	5,581	8,877
Total current assets		117,020	108,802	101,874
Current liabilities				
Lease liabilities	18	(1,915)	(203)	(967)
Trade and other payables	22	(69,924)	(66,256)	(57,682)
Deferred consideration	32	(4,889)	–	–
Borrowings	23	(23,551)	(79,605)	(69,992)
Derivative financial instruments	24	–	(585)	–
Corporation tax payable		(48)	(103)	(12)
Total current liabilities		(100,327)	(146,752)	(128,653)
Net current assets/(liabilities)		16,693	(37,950)	(26,779)
Total assets less current liabilities		38,895	(9,805)	6,908
Non-current liabilities				
Lease liabilities	18	(2,732)	(906)	(1,034)
Deferred consideration	32	(13,504)	–	–
Deferred tax liabilities	26	(432)	(177)	–
Provisions	27	(1,210)	–	–
Total non-current liabilities		(17,878)	(1,083)	(1,034)
Net assets/(liabilities)		21,017	(10,888)	5,874
Equity				
Share capital	29	3,097	–	–
Share premium		103,487	–	–
Warrant reserve		7,239	–	–
Merger reserve		14,860	14,860	14,860
Translation reserve		669	511	58
Retained earnings		(108,335)	(26,259)	(9,044)
Total equity		21,017	(10,888)	5,874

The notes on pages 77 to 116 are an integral part of these financial statements.

Refer to Note 4 for detailed information on the correction of prior period errors.

These financial statements were approved and authorised for issue by the Board of Directors on 26 May 2023 and were signed on its behalf by:

Bob Holt
Director

Consolidated Statement of Changes in Equity

For the year ended 28 February 2022

	Note	Share capital £'000	Share premium £'000	Warrant reserve £'000	Merger reserve £'000	Translation reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 March 2021 – as restated		–	–	–	14,860	511	(26,259)	(10,888)
Effect of prior period errors which are impracticable to be retrospectively adjusted	4	–	–	–	–	–	(38,730)	(38,730)
Balance at 1 March 2021 – as restated		–	–	–	14,860	511	(64,989)	(49,618)
Loss for the year		–	–	–	–	–	(43,723)	(43,723)
Other comprehensive income net of taxation:								
Foreign operations – foreign currency translation differences		–	–	–	–	158	–	158
Total comprehensive income/expense for the year		–	–	–	–	158	(43,723)	(43,565)
Transactions with owners in their capacity as owners:								
Issue of shares, net of transaction costs of £4,940,241	29	696	105,080	–	–	–	–	105,776
Capital reorganisation	29	2,416	–	–	–	–	(2,416)	–
Repurchase of shares	29	(15)	–	–	–	–	15	–
Share-based payments		–	–	–	–	–	2,778	2,778
Issue of warrants	30	–	(1,593)	7,239	–	–	–	5,646
Total transactions with owners		3,097	103,487	7,239	–	–	377	114,200
Balance at 28 February 2022		3,097	103,487	7,239	14,860	669	(108,335)	21,017

The notes on pages 77 to 116 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 28 February 2022

	Note	Share capital £'000	Share premium £'000	Warrant reserve £'000	Merger reserve £'000	Translation reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2020		–	–	–	14,860	58	(8,306)	6,612
Correction of prior period errors	4	–	–	–	–	–	(738)	(738)
Balance at 1 January 2020 – as restated		–	–	–	14,860	58	(9,044)	5,874
Loss for the period – as restated	4	–	–	–	–	–	(17,846)	(17,846)
Other comprehensive income net of taxation:								
Foreign operations – foreign currency translation differences		–	–	–	–	453	–	453
Total comprehensive income/expense for the period – as restated	4	–	–	–	–	453	(17,846)	(17,393)
Transactions with owners in their capacity as owners:								
Repurchase of shares		–	–	–	–	–	(68)	(68)
Settlement of share options		–	–	–	–	–	(42)	(42)
Share-based payments		–	–	–	–	–	741	741
Total transactions with owners		–	–	–	–	–	631	631
Balance at 28 February 2021 – as restated	4	–	–	–	14,860	511	(26,259)	(10,888)

The notes on pages 77 to 116 are an integral part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 28 February 2022

	Note	Year ended 28 February 2022 £'000	14 month period ended 28 February 2021 As restated £'000
Loss for the period		(43,723)	(17,846)
<i>Adjustments for:</i>			
Taxation (credit)/charge	14	(1,174)	86
Finance costs	13	6,110	8,304
Finance income	12	(76)	–
Depreciation of property, plant and equipment	17	6,310	12,441
Impairment of property, plant and equipment	17	1,948	500
Amortisation of intangible assets	16	1,303	1,694
Impairment of intangible assets	16	13,000	–
Profit on disposal of property, plant and equipment		(34)	–
Equity settled share-based payment expense		2,778	741
Issue of warrants	30	5,645	–
Provisions movement		1,210	–
<i>Movements in working capital:</i>			
Movement in inventories		(5,708)	(5,498)
Movement in receivables		(1,666)	(4,993)
Movement in payables		(3,764)	9,144
Cash (used in)/generated from operations		(17,841)	4,573
Income taxes (paid)/received		(890)	17
Net cash (used in)/generated by operating activities		(18,731)	4,590
Cash flows from investing activities			
Purchase of intangible assets		(3,066)	(686)
Purchase of property, plant and equipment		(4,968)	(9,923)
Proceeds on disposal of property, plant and equipment		–	–
Finance income		1	–
Payment of financial derivatives		(510)	–
Purchase of subsidiaries (net of cash acquired)		(6,630)	–
Net cash used in investing activities		(15,173)	(10,609)
Cash flows from financing activities			
Interest paid		(5,000)	(4,594)
Repurchase of shares and share based incentives		–	(109)
Proceeds from borrowings		29,000	16,949
Proceeds from issue of debt instruments		–	6,000
Proceeds from issue of shares, net of transaction costs		105,775	–
Repayment of debt instruments		(6,000)	–
Repayment of borrowings		(78,665)	(13,958)
Payment of lease liabilities ⁽¹⁾		(534)	(502)
Disposal of leases		–	(11)
Loan issue fees		(449)	(931)
Net cash generated by financing activities		44,127	2,844

Consolidated Statement of Cash Flows

For the year ended 28 February 2022

	Note	Year ended 28 February 2022 £'000	14 month period ended 28 February 2021 As restated £'000
Cash and cash equivalents			
Net increase/(decrease) in the year		10,223	(3,175)
At 1 March		5,581	8,877
Effects of exchange rate changes on cash and cash equivalents		(185)	(121)
At 28 February		15,619	5,581

(1) Payment of lease liabilities includes £45k (2021: £82k) of interest payments and £489k (2021: £420k) of principal lease payments.

(2) The share based payment charge for the year is £3,534k. The amount above is net of cash payments of £756k made to settle vested awards.

The notes on pages 77 to 116 are an integral part of these financial statements.

Refer to Note 4 for detailed information on the correction of prior period errors.

Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION

Revolution Beauty Group plc (formerly Revolution Beauty Topco Limited) ("the Company") is a company limited by shares, and is registered, domiciled and incorporated in England and Wales. The Company listed on the Alternative Investment Market (AIM) on 19 July 2021. The address of the registered office is 2-3 Sheet Glass Road, Cullet Drive, Queenborough, Kent, ME11 5JS.

The Group ("the Group") consists of Revolution Beauty Group plc and all of its subsidiaries as listed in note 4 to the Company financial statements.

The Group's principal activity, business activities and other factors likely affecting the Groups performance are set out in the Chief Executive Officers Review on pages 6 to 9 and the Principal Risk and Uncertainties affecting the Group are set out on pages 27 to 30.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared in accordance with UK-adopted International Accounting Standards ("IFRS"). The financial statements have been prepared on the historical cost basis.

The financial statements are prepared in Sterling, which is the functional currency of the Group. Monetary amounts in these financial statements are rounded to the nearest £'000.

For the 14 month period ended 28 February 2021, the Group prepared its statutory financial statements in accordance with FRS 102. The Group first applied the recognition and measurement criteria of IFRS in the historical financial information included within its AIM Admission document, which was prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006.

Prior period adjustments made to the amounts reported in the Company's Aim Admission document have been set out in note 4.

Measurement convention

The financial statements have been prepared under the historical cost convention except for, where disclosed in the accounting policies, certain items shown at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for goods, services and assets.

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. If in the future, such estimates and assumptions which are based on management's best judgement at the reporting date, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the year in which the circumstances change. Critical accounting estimates and key sources of estimation uncertainty in applying the accounting policies are disclosed in note 3.

Basis of consolidation

The consolidated financial statements incorporate those of Revolution Beauty Group plc and all of its subsidiaries.

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

De-facto control exists in situations where the company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists the company considers all relevant facts and circumstances, including:

- The size of the company's voting rights relative to both the size and dispersion of other parties who hold voting rights
- Substantive potential voting rights held by the company and by other parties
- Other contractual arrangements
- Historic patterns in voting attendance.

The consolidated financial statements present the results of the company and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

Business Combinations

The cost of a business combination is the fair value at acquisition date of the assets given, equity instruments issued, and liabilities incurred or assumed. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill. Costs directly attributable to the business combination are expensed to the profit or loss as incurred.

Notes to the Consolidated Financial Statements (continued)

Going concern

Base Case Forecast

Having been through a challenging year in which the Group listed on AIM, completed a material acquisition, refinanced, and had Board and senior management upheaval following the year end, together with a rapidly changing economic environment, the Group has updated its base case forecast for the period through to May 2024 to reflect all aspects of its current operational structure and consider the impact of all of those factors.

The base case forecast is more conservative than those previously prepared and represents the new management team's prudent view of the likely performance of the business as it re-builds for the future, assessing the Groups performance over a period up to May 2024. A sustainable recovery in growth through to May 2024 is forecast. The first two months of FY24 have shown sales performing marginally ahead of the forecast for each of the months. The base case forecasts that the Group will generate cash as it builds sustainable growth from a solid base, growth is expected to be achieved through current sales channels and some increased distribution, underpinned by marketing and capital investment as set out in the Group's strategy.

In addition to sustainable growth in sales, the base case forecasts that the management team's strategy will drive improvements in working capital, with inventory and receivables managed in line with trading volumes. Existing trading terms with supplier and customers are forecast to be maintained under the base case.

In order to achieve its goals, certain steps to right size the cost base in line with the more conservative revenue forecasts have been taken, which brings the groups cost profile in line with the base case sales forecast and reflects a more normalised cost profile of the business.

Consideration has also been given in the forecast, to the significant accounting changes made during the year. EBITDA and cash flow forecasts allow for the impact of the Groups updated stock provision methodology and the potential cash impact of slow-moving stock.

Under the base case scenario, the lowest amount of headroom against the minimum liquidity covenant is £1,728k in July 2023, the lowest test point in the EBITDA covenant is May 2024, when there is £3,323k of headroom.

Deferred Consideration

On 7 March 2023 the Group announced that it had reached an agreement in respect of the timing of payments of deferred consideration for its acquisition of Medichem Manufacturing Limited.

A Deed of Variation dated 6 March 2023 was signed which amends the terms of the deferred consideration and completion net asset adjustment, adjusting the timing of the payments as outlined below.

- £3.625 million payable on 21 October 2025 (being the £5.125 million consideration reduced by the £1.5 million loan due from one of the Sellers companies, Walbrook)
- £5.125 million payable on 21 October 2026
- £5.125 million payable on 21 October 2027
- £5.125 million payable on 21 October 2028

Interest accrues on outstanding balances at a rate of 2.5% per annum

The revised terms of the deferred consideration provides the Company with additional headroom for its working capital requirements and also allowed the Company to agree revised banking covenants for its debt facilities.

On 19 December 2022, the Group commissioned a further independent valuation of Medichem. This has resulted in a new valuation which is materially lower than the original valuation. The Board are in negotiations with the Seller to reach a revised agreement on the amount of consideration due and the payment terms for any further consideration payable – the consideration currently remains unchanged with negotiations ongoing. No adjustment has been made in the Financial Statements in respect of the ongoing negotiations or any change that may result from them.

Lending Arrangements

On 30 March 2023 the Group announced that it had secured an amended facility agreement with its banking partners. The amendment includes a waiver of breaches of the terms of the original agreement. As part of the amended facility agreement which runs through to October 2024, the overall size of the facility was agreed at £32m, reduced from £40m, and is fully drawn. The directors are of the view that the reduced facility provides the business with sufficient liquidity as it continues delivering its strategy. The amended terms of the agreement and the waivers included are conditional on the Group readmitting its shares for trading on AIM within a reasonable timeframe. Revised covenants have been agreed, which include, a minimum liquidity threshold of £5.0 million and an Adjusted EBITDA covenant, as well as certain non-financial covenants. The Adjusted EBITDA covenant is tested quarterly and the minimum liquidity threshold is tested weekly. The non-financial covenants include a condition that would result in an Event of Default occurring where the auditors qualify the annual consolidated financial statements.

The forecast results under the base case indicate that the Group will remain in compliance with the new covenants throughout the going concern period.

Downside Scenarios

In addition to the base case scenario, the Group has considered the potential impact of a severe but plausible downside scenario. Under the severe but plausible scenario, a 10% reduction in total sales from June 2023, driven by consumer demand in the beauty market caused by wider economic factors has been modelled. Under such circumstances the Group would take action to reduce costs, which would include, but not be limited to, reducing capital expenditure, marketing and general overheads including people costs.

In such a scenario, if mitigating actions were taken, the Group would remain in compliance with its covenants throughout the forecast period. However, the sensitivity of the Adjusted EBITDA performance under such circumstances suggests that there is a realistic possibility that a prolonged reduction in sales of 10% could result in the Group breaching its Adjusted EBITDA covenant. Were the Group exposed to a similar scenario and no mitigating actions taken, the Adjusted EBITDA covenant would be breached in February 2024.

Under a scenario in which the Groups revenue reduced to 12% below the forecast levels in the base case from June 2023 onward and no mitigating actions were taken, the Group would breach its minimum liquidity threshold in March 2024. The Directors are confident that under such a scenario, there would be sufficient time and control over the cost base to take action to prevent a breach occurring.

If the Group were to breach either of its covenants, it would be reliant on the support of its lenders in order to be able to continue to operate. The Group enjoys a good relationship with its banking partners and is confident of their continued support. The Group would have sufficient cash to continue operating under all plausible scenarios modelled.

Conclusion

The Directors are pleased with the current performance of the business particularly given the challenging economic outlook and the disruption faced by the business in FY22 and FY23. Net sales have increased since the balance sheet date, with recent data from key retail partners in both the UK and US for the first quarter of 2023 also showing year on year growth in their sell through, which reflects the continued strength of the brand. Steps taken with regard to the deferral and renegotiation of the Medichem consideration and the amendment of the Groups lending arrangements and reductions to the cost base are significant in strengthening liquidity and providing a base from which to grow.

Having considered the information available and recent changes to the business, the directors are satisfied that the base case supports the application of the going concern assumption in preparation of the financial statements.

However, the directors also recognise the challenges the business has faced since its listing on AIM and the underperformance of sales versus previous expectations, as well as the uncertainty in the wider economy. As noted above, the Directors have reset the strategy with reductions in forecast expenditure and improvements to the working capital cycle considered to be commensurate with the level of revenues forecast. The Directors are confident that the adopted strategy and actions taken to address the cost base and working capital cycle can be successfully executed. In the event that revenue falls below the level forecast in the base case scenario, the Directors are also confident that they are able to take mitigating actions to reduce controllable costs further on a timely basis, in order to maintain compliance with the Adjusted EBITDA and minimum liquidity covenant tests.

The directors acknowledge that, in the event either a financial or non-financial covenant were to be breached or that the Group is not readmitted to AIM within a reasonable timescale, the Group would be reliant on its lenders not requiring immediate repayment of the outstanding loan or obtaining alternative finance in order to continue to operate as a going concern. The lenders have provided a waiver in respect of the covenant relating to the Auditors qualifications in their audit report for these financial statements. Notwithstanding that the audit for the year ended 28 February 2023 has not yet commenced, the directors anticipate that certain qualifications will be carried into the Auditors opinion on the FY23 financial statements. The lenders have also confirmed their present intention to waive any further Event of Default which might occur as a result of the audit report to be issued by the Parent's Auditor in respect of the financial year of the Group ending 28 February 2023 containing qualifications which are substantially the same as qualifications on these financial statements. These factors, in conjunction with the sensitivity identified in the severe but plausible downside scenario with respect to the recently agreed Adjusted EBITDA covenant, represent material uncertainty which may cast significant doubt over the Group's ability to continue to operate as a going concern. The financial statements do not include the adjustments that would be required should the going concern basis of preparation no longer be appropriate.

New and revised standards in issue but not yet effective

The following standards and interpretations relevant to the Group are in issue but are not yet effective and have not been applied in the preparation of the financial statements.

Standard/amendment	Effective date
Annual improvements to IFRS 2018-2020	1 January 2022
Amendments to IAS 16 Property, Plant and Equipment	1 January 2022

The above standards are not expected to impact the Group materially.

Notes to the Consolidated Financial Statements (continued)

Revenue recognition

Revenue represents invoiced sale of goods to customers net of sales tax. Revenue is recognised when control of a good is transferred to the customer, which is when the Group's performance obligations are considered to have been met in line with its contracts and is adjusted for returns and provisions for expected returns, discounts, rebates and refunds.

Estimation is required in assessing concessions provided to the customer such as refunds and returns. Such estimates are determined using either the 'expected value' or 'most likely amount' method, which are determined by assessing historic concessions made to customers for refunds and returns. Provisions for refunds and returns are recognised within trade and other payables. Returns are an area of significant judgement, as set out below.

The Group sells its products via their own website and to third party online retailers ("digital") and wholesale sales to retailers and distributors ("store groups").

Digital

Revenue from the sale of goods sold through the Groups website is recognised when the product is delivered to the customer. Payment of the transaction price is due immediately when the customer purchases the products. The Group's policy is to offer a right of return if notified within a specified time period. The Group therefore retains an insignificant risk of ownership through a digital sale when a refund is offered or when return goods are accepted if a customer is not satisfied. Revenue in such cases is recognised at the point of delivery to the customer provided the Group can reliably estimate future returns and the Group recognises a liability for returns against revenue based on previous accumulated experience and other factors.

Loyalty scheme

The Group operates a loyalty card scheme for 'digital' customers where points are earned for products purchased online. The Group accounts for loyalty points as a separately identifiable component of the sales transaction in which they are granted. Deferred revenue is recognised in relation to points issued but not yet redeemed. Deferred revenue is subsequently recognised when the loyalty points are redeemed or when they expire.

A portion of the transaction price is allocated to the loyalty scheme points based on relative stand-alone selling price of the points issued. When estimating relative stand-alone selling price, the Group assesses the likelihood that the customer will redeem the points based on historic redemption rates.

Store groups

Store group revenue is recognised when title has passed in accordance with the terms of the contract. The timing of transfer of control in wholesale transactions is either when the goods have been collected by the customer or when the goods have been delivered to the location specified in the contract and the customer has accepted the products in accordance with the sales contract.

Sales incentives, cash discounts and product returns are deducted from net sales, such as commercial cooperation and discounts. Incentives granted to customers are recorded as a deduction from net sales.

Sales incentives, cash discounts, provisions for returns and incentives granted to distributors and customers are recorded simultaneously to the recognition of sales if it is highly probable that the incentive will be utilised. The determination of whether incentives will be utilised is based mainly on statistics compiled from past experience and contractual conditions. Historical experience enables the group to estimate reliably the value of goods that will be returned, or the extent of utilisation of any incentive given, and restrict the amount of revenue that is recognised such that it is highly probable that there will not be a reversal of previously recognised revenue.

In some cases, the Group can enter into arrangements with customers where payments are made to compensate for certain promotional actions for which the Group will be invoiced. As such payments cannot usually be separated from the supply relationship, the compensation for promotional actions is not deemed to be a distinct service and therefore the Group recognises the consideration paid as a deduction of revenue.

Foreign currencies

The financial statements are presented in Sterling, this being the currency of the primary economic environment of the Group.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Non-monetary items are not retranslated. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

On consolidation, assets and liabilities of foreign operations are translated into sterling at year-end exchange rates. The results of foreign operations are translated into sterling at average rates of exchange for the year. Exchange differences arising on translating net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income and accumulated in the translation reserve.

Finance income and costs

Finance costs comprise interest charged on liabilities and finance costs accruing from lease liabilities.

Interest income and interest payable are recognised in the statement of comprehensive, using the effective interest method.

Amounts included in finance income and finance costs are set out in notes 12 and 13 respectively.

Exceptional Items

Exceptional items are those which are non-recurring and not assessed to represent charges and credits incurred or gained in the Group's normal course of business and are material by size or nature. All items identified as exceptional are set out in note 5.

Segmental reporting

The Group has one operating segment; being its retail business. The Chief Operating Decision Maker has been identified as the board of directors of Revolution Beauty Group Plc, which receives regular reporting on its retail business.

Property, plant and equipment

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Stands are provided to retail customers for displaying the Group's products in store. The Group recognises stands as property, plant and equipment as the Group are solely responsible for providing, maintaining and disposing of the stands and therefore the Group is considered to have control of these assets.

Depreciation is calculated using the straight-line method to allocate assets' cost amounts to their residual values over their estimated useful lives. The estimated useful lives are as follows:

Leasehold improvements	5 years
Stands	2 to 10 years
Office equipment	3 years
Computer equipment	3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Administrative expenses' in the income statement.

A change in the estimated life of certain components of the Group's stand assets has resulted in an additional charge to cost of sales of £309k and reduced tangible fixed asset additions of £309k and reduced depreciation of £78k.

Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Intangible assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably.

Notes to the Consolidated Financial Statements (continued)

Amortisation is calculated on a straight-line basis, less its estimated residual value, over its useful economic life. The estimated useful lives are as follows:

Software	5 years
Website costs	3 years
Trademarks	5 years
Intellectual property	5 -10 years

Impairment of property, plant and equipment and of intangible assets, including right-of-use assets

At each reporting period end date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried in at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Inventories

Inventories are stated at the lower of cost and net realisable value on a 'Weighted Average Cost' basis. Costs of purchased inventory includes the purchase price, import duties, other taxes and delivery costs and are determined after deducting rebates and discounts received or receivable. Cost comprises of direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity, and, where applicable, transfers from cash flow hedging reserves in equity

Inventory in transit is stated at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Financial instruments

Financial assets and liabilities are recognised on the statement of financial position when the Group has become party to the contractual provisions of the instrument and derecognised when it ceases to be a party to such provisions.

Trade and other receivables

Trade receivables are initially measured at their transaction price. Other receivables are initially measured at fair value plus any directly attributable transaction costs. Receivables are held to collect the contractual cash flows which are solely payments of principal and interest. Therefore, these receivables are subsequently measured at amortised cost using the effective interest rate method. The Group does not hold any receivables with a significant financing component.

Receivable financing

The Group utilises invoice financing facilities and is committed to underwrite any of the debts transferred and therefore continues to recognise the debts sold within trade receivables until the receivables repay or default. The proceeds from transferring the debts are included within borrowings until the debts are collected or the Group makes good any losses incurred by the service provider.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and other short-term investments held by the Group with maturities of less than three months. These are highly liquid investments that are readily convertible into known amounts of cash and are subject to an insignificant risk of change in fair value.

Trade and other payables

Trade and other payables are initially recognised at fair value less transaction costs and subsequently measured at amortised cost using the effective interest rate method, with all movements being recognised in the statement of comprehensive income. Cost is considered to approximate fair value.

Deferred Consideration

Deferred consideration is initially recognised at fair value and subsequently measured at amortised cost. Charges arising on significant financing component of deferred consideration are recognised in profit or loss over the life of the deferral period.

Borrowings

Interest-bearing loans are initially measured at fair value, net of direct transaction costs and are subsequently measured at amortised cost. The effective interest method allocates interest expense to each period at the rate which discounts estimated future cash payments through the expected life of the debt to the net carrying amount on initial recognition. Finance charges, including fees and premiums payable on settlement or redemption, are recognised in profit or loss over the term of the loan using an effective rate of interest. Arrangement fees in relation to undrawn facilities are recognised as a prepayment to reflect the right for the Group to borrow in the future on pre-specified terms which may be favourable. The prepayment is released to profit or loss on a systematic basis, the timing of which depends on the probability of further draw down of the facility. If further draw down is not probable, the fee is recognised over the period of the facility to which it relates, if it is probable, the prepayment is held at full amount until draw down.

Classification and subsequent measurement of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements and financial covenants entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all its liabilities.

Derivatives

The Group enters into foreign exchange forward contracts and swaps. These derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. Fair value gains and losses are recognised in profit and loss.

Equity

Equity instruments issued are recorded at fair value on initial recognition net of transaction costs.

Impairment of financial assets under IFRS 9

An impairment loss is recognised for the expected credit losses on financial assets when there is an increased probability that the counterparty will be unable to settle an instrument's contractual cash flows on the contractual due dates, a reduction in the amounts expected to be recovered, or both.

The probability of default and expected amounts recoverable are assessed using reasonable and supportable past and forward-looking information that is available without undue cost or effort. The expected credit loss is a probability-weighted amount determined from a range of outcomes and takes into account the time value of money.

Trade receivables

For trade receivables, the simplified approach is used for expected credit losses as there is no significant financing component. The lifetime expected credit losses are measured by applying an expected loss rate to the gross carrying amount. The expected loss rate comprises the risk of a default occurring and the expected cash flows on default based on the aging of the receivable. The risk of a default occurring always takes into consideration all possible default events over the expected life of those receivables ("the lifetime expected credit losses"). Different provision rates and periods are used based on groupings of historic credit loss experience by product type, customer type and location.

Impairment of other receivables measured at amortised cost

The measurement of impairment losses depends on whether the financial asset is 'performing', 'underperforming' or 'non-performing' based on the Group's assessment of increases in the credit risk of the financial asset since its initial recognition and any events that have occurred before the year-end which have a detrimental impact on cash flows. The financial asset moves from 'performing' to 'underperforming' when the increase in credit risk since initial recognition becomes significant.

In assessing whether credit risk has increased significantly, the Group compares the risk of default at the year-end with the risk of a default when the investment was originally recognised using reasonable and supportable past and forward-looking information that is available without undue cost. The risk of a default occurring takes into consideration default events that are possible within 12 months of the year-end ("the 12-month expected credit losses") for 'performing' financial assets, and all possible default events over the expected life of those receivables ("the lifetime expected credit losses") for 'underperforming' financial assets.

Impairment losses and any subsequent reversals of impairment losses are adjusted against the carrying amount of the receivable and are recognised in profit or loss.

Notes to the Consolidated Financial Statements (continued)

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense unless those costs are required to be recognised as part of the cost of other assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received. Termination benefits are recognised immediately as an expense when the Group is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

Defined contribution pension plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the Consolidated Statement of Profit or Loss in the periods which services are rendered by employees.

Share-based payments

The company issues equity-settled share-based incentives to certain employees in the form of share options and incentive shares and recharges the cost of these to the relevant subsidiary company. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date is expensed in the relevant subsidiary's financial statements on a straight-line basis over the estimated vesting period, based on the estimate of shares that will eventually vest. For share options which vest in instalments over the vesting period, each instalment is treated as a separate share option grant, each with a different vesting period. A corresponding adjustment is made to equity.

The fair value of incentive shares and share options are measured using the Monte Carlo model. The expected life used in the model has been adjusted, based on management's best estimate, for the effect of non-transferability, exercise restrictions and behavioural conditions.

If the vesting conditions of incentive shares or share options are modified in a manner that is beneficial to the employee and this modification increases the fair value of the equity instruments granted (or increases the number of equity instruments granted) measured immediately before and after the modification, the entity shall include the incremental fair value granted in the measurement of the amount recognised for services received as consideration for the equity instruments granted. The incremental fair value granted is the difference between the fair value of the modified equity instrument and that of the original equity instrument, both estimated as at the date of modification. If the modification occurs during the vesting period, the incremental fair value granted is included in the measurement of the amount recognised for services received over the period from the modification date until the date when the modified equity instruments vest, in addition to the amount based on the grant date at fair value of the original equity instruments, which is recognised over the remained of the original vesting period. Cancellations or settlements are treated as an acceleration of vesting and the amount that would have been recognised over the remaining vesting period is recognised immediately.

Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in shareholders' funds. In this case, the tax is also recognised in other comprehensive income or directly in shareholders' funds, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax is recognised on temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is released or the deferred income tax liabilities is settled.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Since the Group is able to control the timing of the reversal of the temporary difference associated with interests in subsidiaries, a deferred tax liability is recognised only when it is probable that the temporary difference will reverse in the foreseeable future mainly because of a dividend distribution.

At present, no provision is made for the additional tax that would be payable if the subsidiaries in certain countries remitted their profits because such remittances are not probable, as the Group intends to retain the funds to finance organic growth locally.

Leases

On commencement of a contract (or part of a contract) which gives the Group the right to use an asset for a period of time in exchange for consideration, the Group recognises a right-of-use asset and a lease liability unless the lease qualifies as a 'short-term' lease or a 'low-value' lease.

Short-term leases

Where the lease term is twelve months or less and the lease does not contain an option to purchase the leased asset, lease payments are recognised as an expense on a straight-line basis over the lease term.

Leases of low-value assets

For leases where the underlying asset is 'low-value', lease payments are recognised as an expense on a straight-line basis over the lease term.

Initial and subsequent measurement of the right-of-use asset

A right-of-use asset is recognised at commencement of the lease and initially measured at the amount of the lease liability, plus any incremental costs of obtaining the lease and any lease payments made at or before the leased asset is available for use by the Group.

The right-of-use asset is subsequently measured at cost less accumulated depreciation and any accumulated impairment losses. The depreciation methods applied are as follows:

Right-of-use assets on a straight-line basis over the shorter of the lease term and the useful life

The right-of-use asset is adjusted for any re-measurement of the lease liability and lease modifications.

Initial measurement of the lease liability

The lease liability is initially measured at the present value of the lease payments during the lease term discounted using the interest rate implicit in the lease, or the incremental borrowing rate if the interest rate implicit in the lease cannot be readily determined.

The lease term is the non-cancellable period of the lease plus additional periods arising from extension options that the Group is reasonably certain to exercise and termination options that the Group is reasonably certain not to exercise.

Subsequent measurement of the lease liability

The lease liability is subsequently increased for a constant periodic rate of interest on the remaining balance of the lease liability and reduced for lease payments.

Interest on the lease liability is recognised in profit or loss, unless interest is directly attributable to qualifying assets, in which case it is capitalised in accordance with the Group's policy on borrowing costs.

Remeasurement of the lease liability

The lease liability is adjusted for changes arising from the original terms and conditions of the lease that change the lease term, the Group's assessment of its option to purchase the leased asset, the amount expected to be payable under a residual value guarantee and/or changes in lease payments due to a change in an index or rate. The adjustment to the lease liability is recognised when the change takes effect and is adjusted against the right-of-use asset, unless the carrying amount of the right-of-use asset is reduced to nil, when any further adjustment is recognised in profit or loss. On termination of leases, the right-of-use asset and lease liability are derecognised, with any resulting gain or loss being recognised in profit or loss.

Adjustments to the lease payments arising from a change in the lease term or the lessee's assessment of its option to purchase the leased asset are discounted using a revised discount rate. The revised discount rate is calculated as the interest rate implicit in the lease for the remainder of the lease term, or if that rate cannot be readily determined, the lessee's incremental borrowing rate at the date of reassessment.

Changes to the amounts expected to be payable under a residual value guarantee and changes to lease payments due to a change in an index or rate are recognised when the change takes effect and are discounted at the original discount rate unless the change is due to a change in floating interest rates, when the discount rate is revised to reflect the changes in interest rate.

Lease modifications

A lease modification is a change that was not part of the original terms and conditions of the lease and is accounted for as a separate lease if it increases the scope of the lease by adding the right to use one or more additional assets with a commensurate adjustment to the payments under the lease.

For a lease modification not accounted for as a separate lease, the lease liability is adjusted for the revised lease payments, discounted using a revised discount rate. The revised discount rate used is the interest rate implicit in the lease for the remainder of the lease term, or if that rate cannot be readily determined, the lessee company's incremental borrowing rate at the date of the modification.

Notes to the Consolidated Financial Statements (continued)

Where the lease modification decreases the scope of the lease, the carrying amount of the right-of-use asset is reduced to reflect the partial or full termination of the lease. Any difference between the adjustment to the lease liability and the adjustment to the right-of-use asset is recognised in profit or loss.

For all other lease modifications, the adjustment to the lease liability is recognised as an adjustment to the right-of-use asset.

Government grants

Government grants are recognised when there is reasonable assurance that the grant conditions will be met, and the grants will be received.

Government grants received in the year are towards staff wage costs under the job retention scheme during Covid-19. The grant income is recognised under other operating income over the period necessary to match with the related wage expense.

Dividends

Dividends are recognised when declared and authorised during the financial year and no longer at the discretion of the Group.

3 JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Judgements

In the course of preparing the financial statements, judgements have been made in the process of applying the accounting policies that have had a significant effect in the amounts recognised in the financial statements. The following are the areas requiring the use of judgements that may significantly impact the financial statements.

Expected Credit Losses

Impairment provisions for trade receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade debtors is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade debtors. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within cost of sales in the statement of comprehensive income. On confirmation that the trade debtor will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Estimates

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods. Estimates include:

Returns

Some customers are able to return unsold stock. At the period end, the Group makes a provision for returns based on historical averages, or actual values that have been agreed with the customer.

Measurement of inventory provision

The Group's inventory provision methodology is made up of a net realisable value (NRV) component and a slow moving component. The slow moving component includes a provision for inventory that has recently been launched and therefore has limited sales history and also for more mature inventory which is assessed based on its sales cover.

When assessing the net realisable value of inventory at the reporting date, management consider both items that have been sold at below cost, and inventory that may become obsolete due to being slow-moving, which gives rise to the key source of estimation uncertainty.

The NRV provision is determined by assessing the latest sales price of a SKU against the cost of purchasing it less the cost of selling it. There is judgment applied in assessing the costs included in selling each SKU. The Group determines cost to sell on an average basis across all SKUs. The cost to sell includes the incremental costs of selling, such as commissions, as well as non-incremental selling costs including expected marketing costs and expected costs to hold the stock until the anticipated time of sale.

Inventory consists of a large number of Stock Keeping Units ("SKUs"), with a range of values. The slow-moving inventory provision is calculated for each SKU, based on sales in a 12 month period, to calculate the number of months cover held at the balance sheet date for each SKU held in stock.

No provision is applied to SKUs where inventory cover is 12 months or less. Where a SKU has more than 12 months inventory cover a provision of 50% is applied to inventory expected to sell in months 13-24 and 100% to inventory expected to sell thereafter. Inventory cover is determined by dividing the level of inventory on hand at the balance sheet date by sales data for a 12 month period including a period after the balance sheet date, at a SKU by SKU level.

As recent sales data does not accurately reflect the expected future sales of products developed in the 12 months prior to the balance sheet date on an individual basis, historic sales performance of all new products launched over the preceding three years has been applied. Therefore, the Group has determined the historic rate of sale of newly developed products and makes a further slow moving provision of 35% of the value of new SKUs launched in the 12 month period up to the reporting date.

The total provision at 28 February 2022 is £39.8m (1 March 2021: £33.0m, as set out in note 4). The calculation of the inventory provision as at 28 February 2022 is based on a number of assumptions. These are set out below, alongside a sensitivity to those assumptions considered to be most subjective by management.

- Provision rate of 50%. An increase or decrease in the provision rate of 50% on inventory with inventory cover of greater than 24 months but less than 36 months to the minimum of 0% or maximum of 100% possible would increase or decrease the inventory provision by £2.7m respectively.
- Newly developed product provision. An increase or decrease in the provision applied to products developed in the 12 months prior to the reporting date by 5% would increase or decrease the overall provision by £1.2m.

Impairment of goodwill

The Group determines whether goodwill is impaired when indicators of impairment are identified or in the annual assessment of impairment. The annual assessment requires an estimate of the value in use of the CGUs to which the assets are allocated, which is by business unit.

Estimating the value in use requires the Group to make an estimate of the expected future cash flows from each business unit and discount these to their net present value at a discount rate. The resulting calculation is sensitive to the assumptions in respect of future cash flows and the discount rate applied.

Forecasting expected cash flows and selecting an appropriate discount rate inherently requires estimation. A sensitivity analysis has been performed over the estimates (see Note 16). The resulting calculation is sensitive to the assumptions in respect of future cash flows and the discount rate applied. The Directors consider that the key assumptions made within the cash flow forecasts include sales levels. The Directors consider that the assumptions made represent their best estimate of the future cash flows generated by the CGUs, and that the discount rate used is appropriate given the risks associated with the specific cash flows.

Measurement, useful lives and impairment of property, plant and equipment

The annual depreciation charge for property, plant and equipment is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and physical condition of the assets. In the event of impairment, an estimate of the asset's recoverable amount is made. The value of the assets are tested whenever there are indications of impairment.

Impairment of property, plant and equipment

The Group determines whether property, plant and equipment, predominantly related to stands used in stores to present the Group's inventory for sale, are impaired or require reversal of impairment when indicators of impairments or reversal of impairment exist or based on the annual impairment assessment. The annual assessment requires an estimate of the value in use of the CGUs to which the assets are allocated, which is at a customer level.

Estimating the value in use requires the Group to make an estimate of the expected future cash flows from each customer and discount these to their net present value at a discount rate. The resulting calculation is sensitive to the assumptions in respect of future cash flows and the discount rate applied.

Forecasting expected cash flows and selecting an appropriate discount rate inherently requires estimation. A sensitivity analysis has been performed over the estimates (see Note 17). The resulting calculation is sensitive to the assumptions in respect of future cash flows and the discount rate applied. The Directors consider that the key assumptions made within the cash flow forecasts include sales levels. The Directors consider that the assumptions made represent their best estimate of the future cash flows generated by the CGUs, and that the discount rate used is appropriate given the risks associated with the specific cash flows.

Notes to the Consolidated Financial Statements (continued)

4 CORRECTION OF PRIOR PERIOD ERRORS

The following corrections to prior periods were identified resulting in the changes set out below. An additional comparative Statement of Financial Position has been presented in order to demonstrate the impact to the opening position in the prior year.

(1) Capital support

Certain supplier support payments accrued during the prior year were identified not to be contractually payable and therefore not valid. This has resulted in a prior period adjustment at 28 February 2021, with a

£1,000,000 reduction in trade creditors and a corresponding decrease in cost of sales for the year ended 28 February 2021.

(2) Supplier rebates

Certain supplier rebates accrued during the prior year were identified not to be contractually receivable and therefore not valid. This has resulted in prior period adjustments for rebates at 1 January 2020 and 28 February 2021. The adjustment at 1 January 2020 includes a £960,000 increase in inventory, £508,000 increase in trade payables, £1,191,000 increase in other payables and £739,000 decrease in retained earnings. The adjustment at 28 February 2021 includes a £324,000 increase in inventory, £508,000 increase in trade payables, £1,191,000 increase in other payables and £636,000 increase in cost of sales.

(3) Debt instruments

Debt instruments issued to the directors totalling £3,150,000 and debt instruments issued to a related party totalling £2,850,000 in the period ended 28 February 2021 were incorrectly treated as equity instruments. The instrument contained a contingent cash settlement provision on the occurrence of an event that was outside of the control of the company, and the directors consider that the instrument should have been classified as a liability. The total of £6,000,000 has been reclassified to current borrowings. Interest of £501,000 has been accrued on these debt instruments, resulting in an increase in finance costs and a corresponding increase in trade and other payables.

(4) Borrowings

The adverse effect of the above prior period adjustments, and the effect of adjustments 5) and 6) noted below for which it is impracticable to retrospectively restate the comparative information, has caused the Group to retrospectively be in breach of its loan covenants. As such, the £62,230,000 non-current portion of borrowings have been reclassified to current liabilities at 28 February 2021 and the non-current portion of borrowings of £58,646,000 has been reclassified to current at 31 December 2019. The borrowings were fully settled upon refinancing during the year in connection with the Group's admission to AIM.

Impact on the Statement of Profit or Loss and Other Comprehensive Income

Extract	14 month period ended 28 February 2021 Reported £'000	Adjustments £'000	14 month period ended 28 February 2021 Restated £'000
Cost of sales ^{(1),(2)}	(88,086)	363	(87,723)
Finance costs ⁽³⁾	(7,803)	(501)	(8,304)
Loss before taxation	(17,622)	(138)	(17,760)
Loss for the period	(17,708)	(138)	(17,846)
Total comprehensive loss for the period	(17,255)	(138)	(17,393)
(Losses)/Earnings per share (p)	(73.0)		(7.2)
Diluted (losses)/earnings per share (p)	(73.0)		(7.2)
Adjusted EBITDA	13,065		13,427

Upon listing on AIM during the year, the Group undertook a significant capital reorganisation (as described in note 29)) which resulted in material changes to the Group's weighted average number of shares and therefore the calculation of Earnings per Share (see note 15)

Impact on the Statement of Financial Position

Extract	1 January 2020 Reported £'000	1 January 2020 Adjustments £'000	1 January 2020 Restated £'000	28 February 2021 Reported £'000	28 February 2021 Adjustments £'000	28 February 2021 Restated £'000
Inventories ⁽²⁾	56,855	960	57,815	62,989	324	63,313
Trade and other payables ^{(1),(2),(3)}	(55,984)	(1,698)	(57,682)	(65,056)	(1,200)	(66,256)
Borrowings (current) ^{(3),(4)}	(11,346)	(58,646)	(69,992)	(11,375)	(68,230)	(79,605)
Net current assets/(liabilities)	32,605	(59,384)	(26,779)	31,156	(69,106)	(37,950)
Borrowings (non-current) ⁽⁴⁾	(58,646)	58,646	–	(62,230)	62,230	–
Net assets/(liabilities)	6,612	(738)	5,874	(4,012)	(6,876)	(10,888)
Retained earnings ^{(1),(2),(3)}	(10,117)	1,073	(9,044)	(27,882)	1,623	(26,259)
Share-based payment reserve*	1,811	(1,811)	–	2,499	(2,499)	–
Equity instrument reserve ⁽³⁾	–	–	–	6,000	(6,000)	–
Total equity	6,612	(738)	5,874	(4,012)	(6,876)	(10,888)

*Presentational only – adjustment to combine the share-based payment reserve and retained earnings, not the correction of an error.

In addition to the four prior period errors previously noted, two further errors were identified which have been deemed to be impracticable to retrospectively adjust the comparative information. The Group has restated the opening balances of assets, liabilities and equity for the earliest period for which retrospective restatement is practicable, which is at 1 March 2021. The details of these adjustments are explained below:

(5) Inventory provision

A prior period error has been recognised to correct the methodology for assessing the Group's stock provision, to include all applicable costs and bring the methodology in line with the Group's inventory purchasing, holding and sales patterns.

The Group previously assessed the recoverability of inventory balances solely by reference to sales in the 12 months prior to the reporting date for each product, and in addition the provision applied to SKUs which were assessed to be slow moving did not consider the costs to be incurred selling them. The following additional considerations, have been applied in assessing and correcting the provision for the prior year:

- Inclusion of costs expected to be incurred in selling inventory in the future when assessing the net realisable value of a product and the point at which slow moving inventory can no longer be sold above cost.
- The assessment of slow-moving inventory excludes inventory launched in the last twelve months. No provision is applied to SKUs where inventory cover is 12 months or less. Where a SKU has more than 12 months inventory cover a provision of 50% is applied to inventory expected to sell in months 13-24 and 100% to inventory expected to sell thereafter.
- An additional slow-moving provision has been made over new products developed or launched within the 12 months prior to the reporting date, based on the historic sales performance of all newly developed products purchased in the previous three years.

Whilst these considerations have been identified as not being correctly considered in assessing the inventory provision in prior years, the impact of the COVID-19 pandemic on sales volumes and prices, as well as it being unclear to the new management team what information was available, or should have been available, at the time the previous financial statements were issued made it impracticable to accurately assess the period-specific effects of the errors in the provision on the comparative information presented. Therefore, in accordance with IAS 8:44, the errors have been corrected by restating the opening balance of inventory (a reduction of £27,220,000 – with a corresponding adjustment to equity) as at 1 March 2021 which is the earliest period for which retrospective restatement is practicable.

(6) Stand impairments

A prior period error has been recognised to correct the impairment of property plant and equipment, specifically in respect of stands used to present the Group's inventory for sale in stores. The Group has determined that each customer represents a CGU for impairment testing purposes and uses forecast customer cashflows in calculating the value in use of each CGU.

However, in previous years, the cash flows used in determining whether indicators of impairment existed did not accurately reflect the performance of the assets and excluded central costs that were not assigned to any CGU. The adjustment made includes all forecast

Notes to the Consolidated Financial Statements (continued)

cashflows for the Group, attributed to customers directly or using performance of each CGU as a proportion of total Group performance to allocate central costs. This has resulted in materially lower value in use calculations.

As the application of the inventory provision correction set out in point 5 above was a key element in assessing the timing of the stand impairment correction, it was also impracticable to accurately assess the period-specific effects of the errors in the impairment computation on the comparative information presented. at each reporting date without the use of hindsight. Therefore, in accordance with IAS 8:44, the errors have been corrected by restating the opening balance of stands within property, plant and equipment (a reduction of £11,512,000 – with a corresponding adjustment to equity) as at 1 March 2021 which is the earliest period for which retrospective restatement is practicable.

5 ADJUSTED PERFORMANCE MEASURES

The Group uses a number of Alternative Performance Measures (“APMs”) in addition to those measures reported in accordance with IFRS. Such APMs are not defined terms under IFRS and are not intended to be a substitute for any IFRS measure. The Directors believe that the APMs are important when assessing the underlying financial and operating performance of the Group.

The APMs are used internally in the management of the Group’s business performance, budgeting and forecasting, and for determining Executive Directors’ remuneration and that of other management throughout the business. The APMs are also presented externally to meet investors’ requirements for further clarity and transparency of the Group’s financial performance. Where items of profits or costs are being excluded in an APM, these are included elsewhere in our reported financial information as they represent actual income or costs of the Group.

The Group’s Alternative Performance Measures are set out below.

Adjusted EBITDA

Adjusted EBITDA is defined as Operating Profit adjusted for depreciation and amortisation, impairments and reversals of impairment, profits and losses on the disposal of assets, share based charges and releases and exceptional items.

	Year ended 28 February 2022 £'000	14 month period ended 28 February 2021 As restated £'000
Operating loss	(38,863)	(9,456)
Amortisation of intangible assets	1,303	1,694
Impairment of intangible assets	13,000	–
Depreciation of property, plant and equipment	6,309	12,440
Impairment of property, plant and equipment	1,948	500
Share-based payment expenses	3,534	741
Operating exceptional items:		
IPO related costs	8,936	–
Acquisition costs	621	–
Restructuring costs	261	963
Release of prepaid retailer stand contribution	–	1,054
Early termination contract costs	–	2,782
Normalised January marketing costs due to year end change	–	2,255
Non-recurring stock write downs	–	454
Exceptional audit fees	2,150	–
Adjusted EBITDA	(801)	13,427

Operating exceptional items

Having listed on AIM in July 2021, the Group incurred certain expenses connected with the listing through the course of the period. These expenses included £2.9m related to legal and professional fees associated with the IPO process, £0.5m in staff bonuses associated with the IPO and £5.6m in connection with the issue of warrants.

In addition, the Group incurred £621k in further professional fees in connection with the acquisitions which are considered to be outside the normal course of business:

- the acquisition of Medichem Manufacturing Ltd, as disclosed in note 32 to the financial statements.
- the purchase of asset from BH Cosmetics Inc as disclosed in note 32 to the financial statements.

The Group incurred legal and professional costs of £0.3m and £0.3m respectively, in the process of concluding the above mentioned acquisitions, which are considered to be transaction related costs outside the normal course of business.

- a reorganisation of the Groups US operations, including the restructure of senior management positions and changes to certain operational reporting process. This reorganisation resulted in the Group incurring exceptional redundancy and professional cost of £0.2m.

As announced on 23 September 2022, the Company's auditor wrote to the Board on 21 September 2022 to identify a number of serious concerns that had arisen during the course of its work on the audit of the Company's accounts for the year ended 28 February 2022.

The Board appointed independent external advisors to undertake an independent investigation, and the Company appointed Macfarlanes (lawyers) and FRA (forensic accountants) on 23 September 2022. As a result of issue identified through this process, including the prior year adjustments set out in note 4, exceptional audit fees were incurred above the level usually required for the Group's annual statutory audit.

Prior period operating exceptional items

The Group changed its reporting date in 2021, resulting in a 14-month period being reported. £2.2m in seasonal marketing costs that were duplicated as a result of the extended period were considered exceptional and therefore added back.

During 2021 the Group wrote off £1.1m in prepaid stand costs with one of its major customers. The one-time write off was not considered to represent part of the Groups underlying operating costs for the year and was therefore treated as exceptional.

During 2021 the Group exited certain commercial relationships, the one-off costs associated with doing so was £2.8m.

6 SEGMENTAL REPORTING

IFRS 8 Operating Segments requires that operating segments be identified on the basis of internal reporting and decision-making. The Group identifies operating segments based on internal management reporting that is regularly reported to and reviewed by the Board of directors, which is identified as the chief operating decision maker. Management information is reported as one operating segment, being revenue from sales of products.

7 REVENUE

	Year ended 28 February 2022 £'000	14 month period ended 28 February 2021 £'000
An analysis of the Group's revenue is as follows:		
Revenue analysed by class of business		
Digital	58,013	56,598
Store groups	126,566	101,042
	184,579	157,640
Revenue analysed by geographical market		
UK	71,456	69,231
United States of America	48,021	35,581
Rest of World	65,102	52,828
	184,579	157,640

The Group generated revenue from one individual customer that accounted for greater than 10% of revenue in 2022 and 2021. Total revenue from that one customer was £20.0m (2021: £18.1m). The performance obligations are settled upon delivery of the products to the specified customer location or upon collection by the customer. Payment is typically due within 30 to 90 days from delivery for online retailers and store groups.

Notes to the Consolidated Financial Statements (continued)

8 EMPLOYEES

	Year ended 28 February 2022 £'000	14 month period ended 28 February 2021 £'000
An analysis of the Group's staff costs is as follows:		
Wages and salaries	14,076	11,650
Social security costs	1,378	1,166
Pension costs – defined contribution	226	222
Equity-settled share-based payments	3,534	741
Total employee benefit expense	19,214	13,779

Included in wages and salaries is an amount totalling £446k relating to a staff bonus paid to staff in connection with the Group's listing on AIM during the year, this is a one-off payment and as such has been included within operating exceptional items, as set out in note 5. Included in wages and salaries in the current year is £2k (period ended 28 February 2021: £382k) in respect of furlough grants received.

The Group operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are separately held from those of the Group in an independently administered fund. At the reporting date, contribution totalling £33,927 (2021: £30,243) were payable to the fund and are included within other creditors.

	Year ended 28 February 2022 Number	14 month period ended 28 February 2021 Number
Average number of staff		
Administration	228	169
Cost of sales	141	20
	369	189

9 DIRECTORS' REMUNERATION

	Year ended 28 February 2022 £'000	14 month period ended 28 February 2021 £'000
An analysis of the Group's directors' remuneration costs is as follows:		
Directors' remuneration excluding pension	994	655

Remuneration disclosed above includes the following amounts paid to the highest paid director:

	Year ended 28 February 2022 £'000	14 month period ended 28 February 2021 £'000
Directors' remuneration	343	359

Pension contributions of £1,320 were made on behalf of one director during the year. Full details of Directors remuneration are set out on in the Remuneration Committee Report on pages 47 to 51.

10 OPERATING LOSS

	Year ended 28 February 2022 £'000	14 month period ended 28 February 2021 As restated £'000
The operating loss is arrived at after charging/(crediting):		
In-store marketing and stands	20,325	19,666
Warehousing and logistics	12,639	9,548
Freight out	8,709	8,577
Commissions payable	5,082	3,806
Net foreign exchange losses	252	1,098
Government grants	(5)	(385)
Amortisation of intangible assets	1,303	1,694
Impairment of intangible assets	13,000	–
Depreciation of property, plant and equipment – owned	5,394	11,972
Depreciation of property, plant and equipment – right-of-use assets	915	467
Impairment of property, plant and equipment – owned	1,948	500
Cost of stocks recognised as an expense	113,353	86,915
Stock written down/(written back) during period	11,262	(248)
Share-based payment charge	3,534	741
Operating lease rentals		
– short-term leases	–	283
– low-value leases	4	18

11 AUDITORS REMUNERATION

	Year ended 28 February 2022 £'000	14 month period ended 28 February 2021 £'000
Fees payable to the Group's auditor and its associates:		
Audit of the financial statements	2,750	331
Subsidiary entity audit fees	150	–
All other non-audit services		–
– Half year review	23	–
– Reporting accountant	410	–
– Tax advisory	129	–
	3,462	331

Notes to the Consolidated Financial Statements (continued)

12 FINANCE INCOME

	Year ended 28 February 2022 £'000	14 month period ended 28 February 2021 £'000
Gain on movement of the fair value of financial derivatives	76	–
	76	–

13 FINANCE COSTS

	Year ended 28 February 2022 £'000	14 month period ended 28 February 2021 As restated £'000
Interest on bank overdrafts and loans	230	1,089
Series A and B loan notes	3,810	4,799
Interest on debt instruments	617	501
Other loans	548	1,217
Loss on movement on the fair value of financial derivatives	–	585
Interest on lease liabilities	82	45
Other interest	823	68
	6,110	8,304

14 INCOME TAX CREDIT/EXPENSE

	Year ended 28 February 2022 £'000	14 month period ended 28 February 2021 As restated £'000
Current tax:		
UK corporation tax on profits for the current period	204	–
Adjustments in respect of prior periods	(1,609)	(153)
	(1,405)	(153)
Foreign current tax on profits for the current period	201	42
Adjustments in respect of prior periods	(46)	–
Total current tax	(1,250)	(111)
Deferred tax		
Origination and reversal of timing differences	191	197
Previously unrecognised tax loss, tax credit or timing difference	(115)	–
Total deferred tax	76	197
Total income tax (credit)/expense	(1,174)	86

Factors affecting tax charge for the year

The tax assessed for the year is higher (14 month period ended 28 February 2021: higher) than the effective rate of corporation tax as explained below:

	Year ended 28 February 2022 £'000	14 month period ended 28 February 2021 As restated £'000
Loss before taxation	(44,897)	(17,760)
Expected tax credit based on the standard rate of corporation tax in the UK of 19%	(8,530)	(3,374)
Tax effect of expenses that are not deductible in determining taxable profit	5,319	(120)
Fixed Asset Differences	(202)	–
Adjustment in respect of prior years	(1,655)	(153)
Effect of overseas tax rates	116	(16)
Deferred tax adjustments in respect of prior years	(115)	202
Deferred tax assets not recognised	3,893	3,521
Impact of prior period adjustments (note 4)	–	26
Total income tax expense	(1,174)	86

Group has tax losses totalling £28,913,000 (2021: £12,186,000) and other potential deferred tax assets £29,543,000 (2021: £22,873,000) for which no deferred tax asset has been recognised due to uncertainty over future recoverability.

Changes to UK corporation tax rates were substantively enacted by the Finance Bill 2021 on 24 May 2021. These included an increase of the corporation tax rate to 25% from 1 April 2023. As this change was substantively enacted at the year end date, where deferred tax is recognised, it is at a rate of 25% in the current year.

Notes to the Consolidated Financial Statements (continued)

15 EARNINGS PER SHARE

The Group reports basic and diluted earnings per common share. Basic earnings per share is calculated by dividing the profit attributable to ordinary shareholders of the Company by the weighted average number of common shares outstanding during the period.

Diluted earnings per share is determined by adjusting the profit attributable to common shareholders by the weighted average number of common shares outstanding, taking into account the effects of all potential dilutive common shares, including options.

	Year ended 28 February 2022 £'000	14 month period ended 28 February 2021* As restated £'000
Loss attributable to shareholders	(43,723)	(17,846)
Adjustments:		
Weighted average number of shares	282,835,551	240,180,313
Basic earnings per share (p)	(15.5)	(7.4)
Total comprehensive expense attributable to the owners of the company	(43,723)	(17,846)
Weighted average number of shares	282,835,551	240,180,313
Dilutive effect of share options and warrants	–	–
Weighted average number of diluted shares	282,835,551	240,180,313
Diluted earnings per share (p)	(15.5)	(7.4)

Pursuant to IAS 33, options whose exercise price is higher than the value of the Company's security were not taken into account in determining the effect of dilutive instruments. The calculation of diluted earnings per share does not assume conversion, exercise, or other issue of potential ordinary shares that would have an antidilutive effect on earnings per share.

*Basic earnings per share and diluted earnings per share for the comparative period have been adjusted to reflect the stock split that occurred during 2021 (see note 29).

16 INTANGIBLE ASSETS

	Goodwill £'000	Software £'000	Website costs £'000	Trademarks £'000	Intellectual property £'000	Acquired rights £'000	Total £'000
Cost:							
As at 1 January 2019	2,148	1,605	1,757	266	425	563	6,764
Additions	–	254	–	134	298	–	686
Disposals	–	(16)	–	(42)	–	–	(58)
Exchange adjustments	(131)	–	–	–	–	(31)	(162)
As at 28 February 2021	2,017	1,843	1,757	358	723	532	7,230
Additions – business combinations	15,786	–	–	–	–	631	16,417
Additions	–	288	–	178	2,600	–	3,066
Disposals	–	(70)	–	(65)	(7)	–	(142)
Exchange adjustments	–	–	–	–	–	–	–
As at 28 February 2022	17,803	2,061	1,757	471	3,316	1,163	26,571
Amortisation and impairment:							
As at 1 January 2019	–	250	215	126	34	346	971
Amortisation charge for the period	–	439	662	70	332	191	1,694
Disposals	–	(16)	–	(42)	–	–	(58)
Exchange adjustments	–	–	–	–	–	(34)	(34)
As at 28 February 2021	–	673	877	154	366	503	2,573
Amortisation charge for the year	–	422	586	82	184	29	1,303
Impairment charge	13,000	–	–	–	–	–	13,000
Disposals	–	(70)	–	(65)	(7)	–	(142)
Exchange adjustments	–	–	–	–	–	–	–
As at 28 February 2022	13,000	1,025	1,463	171	543	532	16,734
Carrying amount:							
As at 31 December 2019	2,148	1,355	1,542	140	391	217	5,793
As at 28 February 2021	2,017	1,170	880	204	357	29	4,657
As at 28 February 2022	4,803	1,036	294	300	2,773	631	9,837

Amortisation and impairment of intangible assets is recognised within administrative expenses in the Statement of Comprehensive Income. Intangible assets are located across the Groups geographical market as follows: UK £5,220k (2021: £2,640k), ROW £nil, (2021: £nil), US £4,617k (2021: £2,017).

Additions in the year resulting from business combinations are shown in note 32.

Impairment testing

Goodwill is tested for impairment at each reporting date and a review undertaken for indicators of impairment.

For the purposes of impairment testing the Group assigns goodwill to cash generating units (CGUs). Goodwill has been assigned to the following two CGUs Revolution Beauty Inc of £2,017k (2021: £2,017k) and Revolution Labs Ltd (formerly Medichem Ltd) of £15,786k (2021: £nil).

In testing the goodwill of each CGU the Group aggregates all identifiable assets, including all other intangible asset and property, plant and equipment. The assets of the CGU are compared to the value in use of the CGU in order to assess the recoverable amount. The value in use is calculated by discounting future cashflows forecast to be generated from the CGU over a five year period using the Group's pre-tax weighted average cost of capital (WACC), which is disclosed in note 17.

Notes to the Consolidated Financial Statements (continued)

At the year end testing point, the recoverable amount of the Revolution Labs Ltd CGU was determined to be below the carrying amount, an impairment of £13.0m was therefore recognised. The most significant factors driving the impairment charges were the reduction in forecast production and sales of inventory produced by Revolution Labs Ltd, which were determined based on the latest financial information available and management forecasts.

Impairment reviews are sensitive to changes in key assumptions. Management have determined that the key assumption used in the cashflow forecast is the sales and production of inventory produced by Revolution Labs Ltd. As such, management have prepared sensitivity analysis on the sales and production and calculated that an increase of 10% result in a reduction in the impairment charge of £1.5m and a reduction in sales of 10% would result in an increased impairment charge of £2.0m.

17 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements £'000	Stands £'000	Office and Computer equipment £'000	Total £'000
Cost:				
As at 1 January 2019	455	31,618	570	32,643
Additions	10	9,839	71	9,920
Disposals	–	(4,054)	(127)	(4,181)
Exchange adjustments	–	(707)	(3)	(710)
As at 28 February 2021	465	36,696	511	37,672
Additions	13	4,774	205	4,992
Additions – business combinations	17	215	122	354
Disposals	–	(6,682)	(338)	(7,020)
Exchange adjustments	–	111	(1)	110
As at 28 February 2022	495	35,114	499	36,108
Depreciation and impairment:				
As at 1 January 2019	138	7,393	276	7,807
Charge for the period	108	11,654	212	11,974
Impairment charge	–	500	–	500
Disposals	–	(4,054)	(128)	(4,182)
Exchange adjustments	–	(307)	(3)	(310)
As at 28 February 2021	246	15,186	357	15,789
Effect of Prior Period Error (note 4)	–	11,512	–	11,512
Charge for the year	99	5,131	164	5,394
Impairment charge	–	1,948	–	1,948
Disposals	–	(6,661)	(283)	(6,944)
Exchange adjustments	–	201	(7)	194
As at 28 February 2022	345	27,317	231	27,893
Carrying amount:				
As at 31 December 2019	317	24,225	294	24,836
As at 28 February 2021	219	21,510	154	21,883
As at 28 February 2022	150	7,797	268	8,215

Depreciation and impairment of property, plant and equipment is recognised within administrative expenses in the Statement of Comprehensive Income. Property, plant and equipment is located across the Groups geographical market as follows: UK £5,169k (2021: £8,720k), ROW £2,337k, (2021: £5,737k), US £710k (2021: £7,427k).

Impairment testing

The Group determines whether these assets are impaired when indicators of impairment exist or at each reporting date. For impairment testing purposes, stand assets are grouped by customer into CGUs. Impairment testing is carried out by comparing the carrying value of the assets held at a CGU with the recoverable amount of the CGU.

The recoverable amount of a CGU is the higher of value in use or fair value less cost of disposal. The Group determines the recoverable amount with reference to its value in use. Value in use is assessed by forecasting the cashflow generated from a CGU over the remaining useful life of the asset of the CGU. A pre-tax Weighted Average Cost of Capital (WACC) derived from externally benchmarked data is then used to discount the cashflows to present value. The WACC applied for 2022 was 12% (2021: 12%)

A total net impairment charge of £1,948k (2021: £500k) was incurred during the year, driven by sales levels for certain customer not reaching forecast levels. This related to four UK customers and three US customers (2021: five UK customer and three US customers) customers where the value in use was assessed to be below the carrying value.

Impairment reviews are sensitive to changes in key assumptions. Management have determined that the key assumption used in the cashflow forecast is the gross profit for each customer. As such, management have prepared sensitivity analysis on the gross profit for each customer and calculated that a reduction in performance in line with the severe but plausible scenario set out in note 1 would result in an additional impairment of £0.1m.

18 LEASES

	Land and Buildings £'000	Plant and machinery £'000	Other £'000	Total £'000
Right-of-use assets				
1 January 2020	1,778	165	36	1,979
Additions	80	–	–	80
Disposals	(527)	–	–	(527)
Depreciation	(392)	(54)	(21)	(467)
28 February 2021	939	111	15	1,065
Additions	3,208	–	55	3,263
Additions through business combinations	627	108	9	744
Disposals	–	–	(7)	(7)
Depreciation	(832)	(66)	(17)	(915)
28 February 2022	3,942	153	55	4,150
Lease liabilities				
1 January 2020	1,797	168	36	2,001
Additions	80	–	–	80
Disposals	(537)	–	–	(537)
Interest expense related to lease liabilities	39	5	1	45
Repayment of lease liabilities (including interest)	(400)	(58)	(22)	(480)
28 February 2021	979	115	15	1,109
Additions	3,208	–	55	3,263
Additions through business combinations	615	110	9	734
Disposals	–	–	(7)	(7)
Interest expense related to lease liabilities	77	5	–	82
Repayment of lease liabilities (including interest)	(446)	(71)	(17)	(534)
28 February 2022	4,433	159	55	4,647
Current	1,830	74	11	1,915
Non-current	2,603	85	44	2,732

Notes to the Consolidated Financial Statements (continued)

	As at 28 February 2022 £'000	As at 28 February 2021 £'000
Maturity analysis:		
Within 1 year	2,022	233
Between 1 and 5 years	2,676	705
Over 5 years	137	274
	4,835	1,212
Less unearned interest	(188)	(103)
Lease liability	4,647	1,109
Analysed as:		
Non-current	2,732	906
Current	1,915	203
	4,647	1,109

The carrying value of right-of-use assets in respect of the above lease liabilities is £4,150,000 (2021: £1,065,000). Lease assets are located across the Groups geographical market as follows: UK £4,143k (2021: £1,058k), ROW £nil, (2021: £7k), US £nil (2021: £nil).

The Group's lease arrangements are in relation to property leases, plant and office equipment. The leases have termination dates ranging from 2022 to 2028.

The rates of interest implicit in the Group's lease arrangements are not readily determinable and management have determined that the incremental borrowing rate to be applied in calculating the lease liability is 3.0%. The fair value of the Group's lease obligations is approximately equal to their carrying amount.

	Year ended 28 February 2022 £'000	Year ended 28 February 2021 £'000
Effects of leases on financial performance:		
Depreciation charge on right-of-use assets included within 'administrative expenses'	915	467
Interest expense on lease liabilities included within 'finance costs'	82	45
Expense relating to short-term leases included within 'administrative expenses'	–	283
Expense relating to low-value leases included within 'administrative expenses'	4	18
	1,001	813
Effects of leases on cash flows:		
Total cash outflow for right-of-use asset leases	(538)	(781)

The Group has leases in respect of printers which have been classified as low value in accordance with IFRS 16. In the prior year, the Group had 7 property leases which have a term of 12 months or less where it has elected to treat the lease as a short-term lease in accordance with IFRS 16. The Group is committed to minimum lease payments in respect of these leases as follows:

	As at 28 February 2022 £'000	As at 28 February 2021 £'000
Short-term lease commitment	–	61
Low-value lease commitment	1	6
	1	67

19 INVENTORIES

	As at 28 February 2022 £'000	As at 28 February 2021 As restated £'000
Finished goods and goods for resale	44,683	63,313
Stock written down/(written back) during period	11,262	(248)

Details of opening adjustments made to inventories are set out in note 4. The total cost of inventories recognised as an expense in cost of sale in the year was £113,353,000 (2021: £86,915,000). For further details on inventory valuation, key assumptions and sensitivities, see Note 3.

20 TRADE AND OTHER RECEIVABLES

	As at 28 February 2022 £'000	As at 28 February 2021 £'000
Current assets		
Trade receivables	47,611	34,444
Other receivables	4,209	2,551
Prepayments and accrued income	3,514	2,427
Prepaid arrangement fees	–	316
	55,334	39,738
Non-current assets		
Prepaid arrangement fees	–	540
Total trade and other receivables	53,334	40,278

All of the trade receivables were non-interest bearing and receivable under normal commercial terms. The fair value of the Group's trade and other receivables is the same as their book value stated above. The Group has assessed the credit risk of its financial assets measured at amortised cost by reference to the historic default experience of each debtor and the analysis of the debtor's financial position. The Group has determined that the loss allowance for expected credit losses of those assets is £1,983k (2021: £555k).

Notes to the Consolidated Financial Statements (continued)

21 CASH AND CASH EQUIVALENTS

	As at 28 February 2022 £'000	As at 28 February 2021 £'000
Cash at bank and in hand	15,619	5,581

22 TRADE AND OTHER PAYABLES

	As at 28 February 2022 £'000	As at 28 February 2021 As restated £'000	As at 1 January 2020 As restated £'000
Trade payables	47,145	45,181	47,049
Other taxation and social security	2,556	307	266
Other payables	2,159	10,429	5,522
Accruals and contract liabilities	18,064	10,339	4,845
	69,924	66,256	57,682

Details of the adjustments made to prior periods are set out in Note 4.

23 BORROWINGS

	As at 28 February 2022 £'000	As at 28 February 2021 As restated £'000	As at 1 January 2020 As restated £'000
Bank loans	–	8,891	–
Receivable finance facility	–	5,849	–
Bank revolving credit facility	23,551	–	10,000
Series A and B loan notes	–	45,271	47,097
Debt instruments	–	6,000	–
Other loans	–	13,594	12,895
	23,551	79,605	69,992
Payable within one year	23,551	79,605	69,992

During the year, the Group agreed a new £40,000,000 revolving credit facility (RCF) with two banks. As at 28 February 2022 the Group had drawn down £24,000,000 (2021: £Nil) under this facility. The balance is shown net of loan arrangement fees of £449,000. Interest is charged on the RCF based on the Sterling Overnight Index Average plus an applicable margin. The RCF is repayable on 19 October 2024. As set out in note 1, amendments to the RCF agreement were agreed subsequent to the year end. The agreement contained net leverage covenants. Subsequent to the year end the Group amended the RCF with its lenders, the amended covenants are set out in Note 1.

During the year, using the proceeds arising from the placing on AIM, the Group repaid all previously existing borrowings in full.

Previous Borrowings

Included in short term and long-term borrowings at 28 February 2021 were Series A-1 and Series A-2 loan notes issued on 21 November 2018, the holders of which were entitled to receive interest at a rate of up to 6% per annum plus LIBOR. These loan notes were all redeemable within 5 years on 21 November 2023.

Also included in short term and long-term borrowings were Series B-1 loan notes issued on 16 October 2019, the holders of which are entitled to receive interest at a rate of up to 6% per annum plus LIBOR. These loan notes are all redeemable within four years on 21 November 2023.

A bank revolving credit facility of £10,000,000 was repaid in full in the prior period. Interest accrued on the outstanding cash facility balance at a rate between 3.2% and 3.4% per annum and this facility was fully repaid on 6 March 2020.

During the prior period, the Group secured a Coronavirus Business Interruption Loan £9,000,000 which was fully drawn down. The loan is shown net of any directly related issue costs amounting to £108,901. Interest is charged at a rate of between 2.3% and 2.8% per annum plus base rate. The loan was fully repaid upon the Group's listing on AIM in July 2021.

During the 2021, the Group obtained a receivable financing facility of £11,000,000 of which £5,849,255 was drawn down at 28 February 2021. Interest accrued daily at a rate of 2% plus base rate. The loan was fully repaid upon the Group's listing on AIM in July 2021.

Included in other loans in 2021 were loans from the directors totalling £6,300,000 and a loan from Mermaid UK Holdco Limited, a shareholder of the Group totalling £5,700,000. Interest accumulated on the loans at 8% per annum. These loans were fully repaid upon the Group's listing on AIM in July 2021.

During the period, debt instruments issued to the directors totalling £3,150,000 and debt instruments issued to a related party totalling £2,850,000 were repaid in cash. Interest of £617,000 (2021: £501,000) incurred on these debt instruments during the period has been recognised in finance costs.

24 DERIVATIVE FINANCIAL INSTRUMENTS

The Group enters into derivatives to reduce its exposure to fluctuations in foreign currency rates. Derivatives outstanding at the reporting date were as follows:

	As at 28 February 2022 £'000	As at 28 February 2021 £'000
Financial liabilities carried at fair value through profit or loss:		
Foreign exchange forward contracts	–	585
	As at 28 February 2022 £'000	As at 28 February 2021 £'000
Changes in value of financial instruments at fair value:		
Loss for the year is stated after charging:		
(Gain)/ loss on foreign exchange forward contracts	(76)	585

Changes in the fair value of derivatives are recognised in profit and loss within finance costs (note 13). The notional value of the related contracts at the period end was £585k (2021: £Nil).

25 FINANCIAL RISK MANAGEMENT

The Group's financial instruments at the reporting dates mainly comprise cash and various items arising directly from its operations, such as trade and other receivables and trade and other payables.

(a) Risk management policies

The Group's Directors are responsible for overseeing capital resources and maintaining efficient capital flow, together with managing the Group's cash flow risk, foreign exchange risk, credit risk and liquidity risk.

Notes to the Consolidated Financial Statements (continued)

(b) Financial assets and liabilities

Financial assets and liabilities analysed by the categories were as follows:

	As at 28 February 2022 £'000	As at 28 February 2021 As restated £'000
Financial assets at amortised cost:		
Trade and other-receivables	51,820	36,995
Cash and cash equivalents	15,619	5,581
	67,439	42,576
Financial liabilities at amortised cost:		
Borrowings	23,551	79,605
Trade and other payables	67,368	65,959
Deferred consideration	18,393	–
Lease liabilities	4,647	1,109
	113,959	146,673
Financial liabilities at fair value through profit or loss:		
Foreign exchange forward contracts	–	585

The carrying value of all financial instruments is not materially different from their fair value.

Fair values of financial assets and liabilities

The Group measures financial instruments at fair value and are classified into the following hierarchy:

Level 1 Quoted prices in active markets.

Level 2 Level 1 quoted prices are not available but fair value is based on observable market data.

Level 3 Inputs are not based on observable market data.

Foreign exchange forward contracts are categorised within level 2 of the fair value hierarchy.

(c) Credit risk

Credit risk is the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Group. Maximum credit risk at the reporting dates was as follows:

	As at 28 February 2022 £'000	As at 28 February 2021 £'000
Current trade and other receivables	51,820	35,918

The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Group uses publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings and compliance with credit limits of its counterparties are continuously monitored. Sales to retail customers are required to be settled in cash or using major credit cards, mitigating credit risk.

Trade receivables are regularly reviewed for impairment loss. The Group has assessed the credit losses attributable to its financial assets measured at amortised cost and has determined that the loss allowance for expected credit losses of those assets is immaterial to the financial statements.

(d) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Group uses a mixture of long-term and short-term loan notes together with short term intragroup borrowings.

Contractual cash flows relating to the Group's financial liabilities are as follows:

	Carrying amount £'000	Contractual cashflows £'000	Within 1 year £'000	1-2 years £'000	2-5 years £'000	More than 5 years £'000
28 February 2022						
Borrowings	23,551	24,000	24,000	–	–	–
Trade payables	47,145	47,145	47,145	–	–	–
Accruals and other payables	20,223	20,223	20,223	–	–	–
Deferred consideration	18,393	19,000	3,625	5,125	10,250	–
Lease liabilities	4,647	4,835	2,022	2,094	582	137
Total	113,959	115,203	97,015	7,219	10,832	137
28 February 2021						
Borrowings	79,605	79,605	79,605	–	–	–
Trade payables	45,181	45,181	45,181	–	–	–
Accruals and other payables	20,768	20,768	20,768	–	–	–
Lease liabilities	1,109	1,212	233	211	494	274
Total	146,663	144,069	143,090	211	494	274

(e) Interest rate risk

Interest rate risk is the risk that the future cash flows associated with a financial instrument will fluctuate because of changes in market interest rates.

Profit or loss is sensitive to higher/lower interest expense on borrowings as a result of changes in interest rates. The risk of movement within the interest rate for the RCF equates to approximately £2,400 for each 100 basis point movement in interest rates charged.

(f) Foreign exchange risk

Foreign exchange risk is mitigated by closely monitoring foreign exchange movements, having natural hedges with the Group's overseas operations, and having appropriate terms with non-GBP denominated suppliers.

(g) Capital management

The Group's main objective when managing capital is to protect returns to shareholders by ensuring the Group will continue to trade for the foreseeable future. In order to maintain or adjust the capital structure, the Group may adjust the dividends paid to shareholders, return capital to shareholders or issue new shares.

The Group considers its capital to include net cash (being the aggregate of bank balances less borrowings), share capital, share-based payment reserve, merger reserve and retained earnings.

	As at 28 February 2022 £'000	As at 28 February 2021 As restated £'000
Cash and cash equivalents	15,619	5,581
Borrowings	(23,551)	(79,605)
Net debt	(7,932)	(74,024)
Total equity	21,017	(10,888)
	13,085	(84,912)

Notes to the Consolidated Financial Statements (continued)

26 DEFERRED TAX

The deferred tax balances recognised in the consolidated statement of financial position are as follows:

	As at 28 February 2022 £'000	As at 28 February 2021 As restated £'000	As at 1 January 2020 As restated £'000
Deferred tax (liability)/asset			
Accelerated capital allowances	(1,366)	(1,418)	(1,733)
Tax losses	1,174	1,241	1,772
Intangible fixed assets	(152)	–	(39)
Other timing differences	(88)	–	–
Net deferred tax liability	(432)	(177)	–

The net movement is explained as follows:

	Year ended 28 February 2022 £'000	Period ended 28 February 2021 as restated £'000
Opening deferred tax liability	177	–
Charge/(credit) to profit or loss	76	197
Acquisition of subsidiary	167	–
Effects of exchange rate changes	11	(20)
Closing deferred tax liability	432	177

27 PROVISIONS

	As at 28 February 2022 £'000	As at 28 February 2021 As restated £'000
Dilapidations	100	–
On hold charge	1,110	–
	1,210	–

The dilapidations provision relates to the estimated costs to be incurred by the Group in restoring the underlying assets to the condition required by the terms and conditions of the Group's lease arrangements.

The on hold provision relates to charges expected in respect supplier purchase orders which are expected to be cancelled and for which no inventory is expected to be received, the full amount is expected to be settled within the next 12 months.

28 SHARE-BASED PAYMENTS

During the year, the Group undertook a capital reorganisation as set out in note 29. As part of this, the existing C share scheme was modified and replaced by a new scheme and the existing D share scheme was cancelled, with a cash payment being made to the holders based on the vested portion. The E share scheme was cancelled with the holders granted Ordinary shares based on the vested portion.

Subsequent to the IPO, the Group introduced four new equity-settled share-based payment schemes and one new cash-settled scheme.

Equity-settled schemes

C share / Nominee scheme

The Group has granted Nominee share options at the date of IPO based on the unvested portion of their shares under the cancelled C share scheme. The vesting period ranges between one and four years depending on the remaining vesting period that was applicable to each individual under the C share scheme. As the Nominee scheme represents new equity instruments granted as replacement equity instruments for the cancelled C share scheme, management has determined that it represents a modification to the existing share scheme. The equity-settled classification has not changed. As such, the existing share-based payment charge of the C share scheme continues to be recognised over the original vesting period. The incremental increase in the total fair value of the Nominee share options is recognised over the remaining vesting period.

New LTIP

The Group has granted options to certain employees under the New LTIP scheme. There is a non-market based performance condition attached to the New LTIP share options, which will impact the number of shares which will eventually vest. The vesting condition is based on the level of EBITDA achieved by the Group in the three financial years following the grant. The vesting period ranges from three to four years.

Legacy LTIP

The Legacy LTIP scheme rewards legacy employees who did not have share options under the old C share scheme. The vesting period ranges from three to four years.

Additional LTIP

The Group has granted options to one employee under the Additional LTIP scheme. There is a market based performance condition attached to the Additional LTIP share options, which will impact the number of shares which will eventually vest. The vesting condition is based on the market capitalisation of the Group in the five years following the IPO. The vesting period is five years. The probability of achieving the market capitalisation conditions has been considered in determining the fair value of the share options using the Monte Carlo option-pricing model.

SIP

The Group has granted options to each employee enrolled in the SIP scheme. The vesting period is three years and there is a service condition attached to the options.

Notes to the Consolidated Financial Statements (continued)

A reconciliation of equity-settled share-based payment schemes is presented below:

2022	Balance at the start of the year	Granted	Exercised	Forfeited	Effect of capital reorganisation	Balance at the end of the year
C share / Nominee scheme	950,288	469,613	(975,237)	(121,549)	2,075,193	2,398,308
D share scheme	176,795	–	–	–	(176,795)	–
E share scheme	165,745	–	–	–	(165,745)	–
New LTIP	–	2,108,902	–	(206,712)	–	1,902,190
Legacy LTIP	–	955,567	–	(207,376)	–	748,191
Additional LTIP	–	5,000,000	–	–	–	5,000,000
SIP	–	276,750	–	(22,500)	–	254,250
	1,292,828	8,810,832	(975,237)	(558,137)	1,732,653	10,302,939
Weighted average exercise price	£2.47	£0.01	£-	£0.01	£-	£0.01

2021	Balance at the start of the year	Granted	Exercised	Forfeited	Balance at the end of the year
C share / Nominee scheme	983,438	22,100	–	(55,250)	950,288
D share scheme	232,043	–	–	(55,248)	176,795
E share scheme	165,745	–	–	–	165,745
	1,381,226	22,100	–	(110,498)	1,292,828
Weighted average exercise price	£2.71	£-	£-	£5.01	£2.47

The weighted average remaining contractual life of the Group's equity-settled share options outstanding at the reporting date was 3.9 years (2021: 1.1 years)

Cash-settled schemes

Phantom SIP

The Group has granted a Phantom Share Award to each overseas employee enrolled in the Phantom SIP scheme. This entitles holders to a right to receive a cash payment equal to the market value of the Group's shares on the vesting date. The vesting period is three years.

2022	Balance at the start of the year	Granted	Exercised	Forfeited	Other	Balance at the end of the year
Phantom SIP	–	38,250	–	(6,750)	–	31,500
Weighted average exercise price	–	–	–	–	–	–

The weighted average remaining contractual life of the Group's cash-settled share options outstanding at the reporting date was 2.5 years.

The expense recognised in the period for the share-based payment transactions was £3,534,000 (2021: £741,000), of which £1,782,000 relates to the old and modified schemes in place prior to the IPO.

The fair value per option granted during the period covered by the financial statements and the assumptions used in the calculation are as follows:

	Grant period	
	Year ended 28 February 2022	Period ended 28 February 2021
Share price at grant date	£1.60 – £1.63	£1.04
Exercise price	£nil – £0.01	£1.04
Expected option life	3 – 5 years	1.6 years
Expected volatility	50.0%	35.0%
Expected dividends	0.0%	0.0%
Discount rate	0.2%	0.8%
Weighted average fair value per option	£1.59	£2.99

29 SHARE CAPITAL

	As at 28 February 2021 No. ('000)	Capital Re- organisation No. ('000)	Cancellation of deferred shares No. ('000)	Shares Issued upon IPO No. ('000)	Subsequent Issue No. ('000)	As at 28 February 2022 No. ('000)
Class of share						
Ordinary shares of 1p (2021: 0.0008p) each	10,500	229,680	–	69,195	362	309,737
B Ordinary shares of 0.00125p each	9,500	(9,500)	–	–	–	–
A1 Deferred shares of 0.0008p each	2,250	–	(2,250)	–	–	–
A2 Deferred shares of 0.00125p each	228	–	(228)	–	–	–
C Ordinary shares of 0.00125p each	895	(895)	–	–	–	–
E Ordinary shares of 0.00125p each	166	(166)	–	–	–	–
	23,539	219,119	(2,478)	69,195	362	309,737

	£'000	£'000	£'000	£'000	£'000	£'000
Class of share						
Ordinary shares of 1p (2021: 0.0008p) each	–	2,401	–	692	4	3,097
B Ordinary shares of 0.00125p each	–	–	–	–	–	–
A1 Deferred shares of 0.0008p each	–	–	–	–	–	–
A2 Deferred shares of 0.00125p each	–	–	–	–	–	–
C Ordinary shares of 0.00125p each	–	–	–	–	–	–
E Ordinary shares of 0.00125p each	–	–	–	–	–	–
	–	2,401	–	692	4	3,097

Notes to the Consolidated Financial Statements (continued)

	As at 31 December 2019 No. ('000)	Forfeited No. ('000)	As at 28 February 2021 No. ('000)
Class of share			
Ordinary shares of 0.0008p each	10,500	–	10,500
B Ordinary shares of 0.00125p each	9,500	–	9,500
A1 Deferred shares of 0.0008p each	2,250	–	2,250
A2 Deferred shares of 0.00125p each	228	–	228
C Ordinary shares of 0.00125p each	928	(33)	895
E Ordinary shares of 0.00125p each	166		166
	23,572	(33)	23,539

No consideration was transferred in relation to movement in share capital for the period ended 28 February 2021.

Ordinary share rights

Ordinary shares carry full voting rights and rights in respect of dividends and capital distributions (including on winding up).

During the period, 469,613 C Ordinary shares were issued and 11,050 C Ordinary shares, 2,250,000 A1 Deferred shares and 228,000 A2 Deferred shares were bought back and cancelled.

As part of the company's admission to AIM on 13 July 2021, a capital reorganisation occurred, pursuant to which the existing shares were subdivided and redesignated into Ordinary shares and Deferred shares, following which all such Deferred shares were cancelled. On completion of the capital reorganisation, the share capital comprised 240,180,313 Ordinary shares of £0.01 each. A further 69,194,687 Ordinary shares of £0.01 each were issued as part of the Placing on 19 July 2021. On 20 August 2021, the Company issued a further 362,250 Ordinary shares of £0.01 each. Total consideration for the shares issued in the period was £110,716k.

30 RESERVES

Share capital

The called-up share capital records the nominal value of shares issued and paid up.

Share premium reserve

Consideration received for shares issued above their nominal value, net of transaction costs.

Warrant reserve

A warrant instrument dated 13 July 2021 was issued upon the Groups admission to AIM. The Company granted Zeus Capital, a right to subscribe in cash for 9,281,250 Shares at £1.60 per Share during the period commencing on the date of admission and expiring on the date which is the tenth anniversary of admission.

The Group valued the warrant using the Black-Scholes model, applying a risk-free interest rate, expected term and an estimated share price and volatility.

The warrant reserve represents the fair value of warrants outstanding at the date of issue. Each warrant confers the right to subscribe in cash for one ordinary share at the placing price of 160 pence per share. The warrants are only exercisable during the period from 20 July 2022 to 19 July 2031.

Merger reserve

The merger reserve has arisen due to a group reorganisation, under the merger method of accounting.

Translation reserve

The translation reserve represents foreign exchange gains and losses on the retranslation of the results and net assets of the foreign operations of the Group.

Retained earnings

Cumulative profit and loss net of distributions to owners.

31 NET DEBT

Changes in liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	As at 1 March 2021 £'000	Cash flows £'000	Non-cash movements £'000	As at 28 February 2022 £'000
Cash and cash equivalents	5,581	10,223	(185)	15,619
Borrowings	(79,605)	61,115	(5,061)	(23,551)
Lease liabilities	(1,109)	534	(4,072)	(4,647)
Net debt	(75,133)	71,872	(9,318)	(12,579)

	As at 1 January 2020 £'000	Cash flows As restated £'000	Non-cash movements £'000	As at 28 February 2021 As restated £'000
Cash and cash equivalents	8,877	(3,175)	(121)	5,581
Borrowings	(69,992)	(8,271)	(1,342)	(79,605)
Lease liabilities	(2,001)	502	390	(1,109)
Net debt	(63,116)	(10,944)	(1,073)	(75,133)

	As at 1 January 2020 £'000	As at 28 February 2021 £'000
Amortised cost	(23,551)	(79,605)
Prepaid financing fees	(449)	(1,851)
Gross borrowings	(24,000)	(81,456)

32 BUSINESS COMBINATIONS

Revolution Beauty Labs Limited

On 13 July 2021, the Group was granted a call option to acquire 100% of the issued share capital of Medichem Manufacturing Ltd (now known as Revolution Beauty Labs Ltd) ("Medichem"), a company incorporated in England and Wales. Medichem's principal activity is that of invention, development and production of personal healthcare and beauty products.

Under IFRS 10, the Group is considered to have obtained control of the company via potential voting rights, and therefore the results of Medichem were consolidated from 13 July 2021. The Group exercised the call option and the share capital of the Medichem was acquired on 26 October 2021.

Medichem was previously 100% owned and controlled by a director and shareholder of Revolution Beauty Group plc. Medichem qualifies as a business as defined in IFRS 3. The purchase has been accounted for as a business combination under the acquisition method of accounting in accordance with IFRS 3.

Notes to the Consolidated Financial Statements (continued)

The Group has completed its assessment of the fair value of assets acquired including recognising a number of separately identifiable intangibles as part of the acquisition and in calculating the goodwill arising on acquisition, details of which are set out below. No material adjustments from book value were made to existing assets and liabilities assumed other than the recognition of liabilities arising directly as a result of the acquisition.

	Book value £'000	Fair value adjustments £'000	Total £'000
Intangible fixed assets – other than goodwill	24	607	631
Property, plant and equipment			
– owned assets	366	—	366
– right-of-use assets	744	—	744
Stock	2,271	—	2,271
Trade and other receivables ⁽¹⁾	12,400	—	12,400
Cash at bank and in hand	370	—	370
Trade and other payables	(6,401)	—	(6,401)
Corporation tax	(648)	—	(648)
Lease liabilities	(547)	—	(547)
Net deferred tax liabilities	(36)	(152)	(188)
Total identifiable net assets	8,543	455	8,998
Fair value of consideration:			
Cash consideration			6,946
Deferred consideration			14,855
Contingent consideration			2,983
Total consideration			24,784
Goodwill arising			15,786

(1) Included within acquired Trade and Other Receivable is £10,010k due from the Group, which is consolidated and therefore not reported in the consolidated statement of financial position.

The following table sets out the amounts included in the consolidated statement of cash flows:

	£'000
Initial cash consideration, net of cash acquired on acquisition	6,630
Acquisition costs	355
Cash outflows on acquisition of subsidiary	6,985

Contingent consideration in respect of the business combination crystallised during the year and then became deferred consideration and was classified as such at the Balance Sheet date.

Medichem has maintained a strong and continuing relationship with many of its customers, which translates into an expected source of recurring cash flows for the company. The valuation of £607,000 for Customer Relationship relates to non-Revolution Beauty customers.

The goodwill of £15.7m arising from the acquisition consists of expected synergies, value of the assembled workforce and cashflow to the Group. The impairment charges recognised in respect of the acquired goodwill is explained in note 16. None of the goodwill is expected to be deductible for income tax purposes.

Acquisition related costs (included in administrative expenses) amounted to £355,215 in the financial year ended 28 February 2022.

Medichem contributed £818k revenue and £875k to the Group's loss for the period between 13 July 2021 which is the deemed date of acquisition for accounting purposes and 28 February 2022 which is the reporting date.

BH Cosmetics

In February 2022, the Group acquired the intellectual property and Inventory of BH Cosmetics Inc for US\$4.5m (£3.5m). The transaction was determined not to qualify as a business combination under IFRS 3: Business Combinations, it is assessed to be the purchase of assets, being inventory of \$1.3m (£1.0m) and brand names and trademarks of \$3.2m (£2.6m). The values of the acquired asset were considered to represent their fair value at the acquisition date.

33 FINANCIAL COMMITMENTS, GUARANTEES AND CONTINGENT LIABILITIES

The Group has posted or reposted social media video clips which contain sound recordings and musical compositions from the music library of the relevant social media platform. A letter was received in Autumn 2020 from two music owners, claiming copyright infringement. Letters raising such allegations are common in other business sectors involved in social media. The Group, funded by its insurers, is robustly defending the allegations and, taking a cautious approach, has sought to remove any allegedly offending posts over which the Group has control. Despite the time that has passed, no court proceedings have been brought by the music owners. The Group has taken formal legal advice from specialist US intellectual property attorneys. Based on that advice, the Group believes that if the allegations were to ever be pursued through litigation and if there were found to be any liability at all on the part of the Group, there is a reasonable expectation that such liability would be within the combined level of the Group's insurance cover and an indemnity provided by the principal shareholders. However, the directors consider that at this stage it is not probable that a material liability will arise and any possible financial effect is not capable of being measured reliably.

The Group is aware of a pending claim in California regarding possibly improperly marketing some products as eyeshadows on the website, when the products contained one or more colour additives not approved by the FDA. The Group has engaged formal legal advice and based on that advice, at this stage it is not probable a material liability will arise, and any possible financial effect is not capable of being measured reliably.

Pre IPO the Group had reposted on social media clips which contained sound recordings and musical compositions. A letter was received in Autumn 2020 from two music owners, claiming copyright infringement. The Group, funded by its insurers is robustly defending the allegations and took a cautious approach, and removed any allegedly offending posts over which the Group had control. The Group took formal legal advice from specialist US Intellectual Property attorneys. Based on that advice the Group believes that if the allegations were to be pursued through litigation and if there were found to be any liability at all on the part of the Group, there is a reasonable expectation that such liability would be within the combined level of the Groups insurance cover and an indemnity provided by the principal shareholders at the time of the IPO.

34 CAPITAL COMMITMENTS

	Year ended 28 February 2022 £'000	14 month period ended 28 February 2021 £'000
Amounts contracted for but not provided in the financial statements:		
Acquisition of tangible fixed assets	3,000	140

35 RELATED PARTY TRANSACTIONS

Interests in subsidiaries are set out in note 4 to the Company financial statements.

Transactions with related parties

Transactions between the Group and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

The Group entered into the following transactions with companies under the control of one of the directors:

	Year ended 28 February 2022 £'000	14 month period ended 28 February 2021 £'000
Other related parties		
Sales	12	150
Purchases	11,928	15,398
Rent paid	140	121

Notes to the Consolidated Financial Statements (continued)

The following amounts were outstanding at the reporting date:

	Year ended 28 February 2022 £'000	14 month period ended 28 February 2021 £'000
Other related parties		
Amounts due to related parties	–	12,934

Revolution Beauty Labs Limited (Formerly Medichem Manufacturing Limited), is a company that was acquired by the group during the period from a director that had a controlling interest. Prior to the acquisition date of 13th July 2021, the group purchased £11,479,486 (2021: £15,397,730) of goods and services from the company, at 28 February 2021: £6,509,197 amount remained unpaid, subsequent to the acquisition date all balance between the Group and Medichem are consolidated into the Groups results. Additionally, the group sold services to Mechichem of £9,673 (2021: £150,411) prior to acquisition, of which £Nil (2021: £24,654) remains outstanding as at the period end.

Included within deferred consideration is a loan to Walbrook Investments Limited, a company under the control of T Allsworth, of £1,500,000. The amount is offset against the Groups' liability to T Allsworth in respect of the acquisition of Medichem and will be settled through the payment of the deferred consideration.

Medichem Properties Limited (Formerly Walbrook Investments Limited), is a company under the control of one of the directors. During the period the company provided rental premises to the group for cash payments of £139,600 (2021: £121,000). As at the period end there is a rent liability of £313,000 (2021: £nil) outstanding.

Astound Commerce Ltd, a company in which one of the Non-Executive Directors is employed, sold services to the group for a total of £448,843 (2021: £473,541), of which £23,356 (2021: £95,800) remains outstanding in trade creditors as of the period end.

During the period, loans and accrued interest due to Mermaid UK Holdco Limited who owned 44.7% of the company prior to IPO were repaid totalling £9,772,440. This repayment additionally included loan amount included within debt instruments as at the end of 2021 (2021: £2,850,000). The loans were accruing interest at 8% per annum, the total interest accrued on these loans was £1,222,440 (2021: £693,604) and for the period is £294,816 (2021: £563,351).

For the purposes of IAS 24 "Related Party Disclosure", the Group consider key management personnel to be the Directors of Revolution Beauty Group plc, executives below the level of the Company's Board are not regarded as key management personnel. Remuneration for the board of directors is set out in note 9.

DIRECTORS' TRANSACTIONS

As at the year end the directors loaned the company, including interest, £Nil (2021: £7,199,775). At IPO all director loans and accrued interest were repaid £10,933,236 (2021: £2,100,000), this repayment additionally included the loan amount included within debt instruments at the end of 2021 (2021: £3,150,000). Interest accrued on the loans and accumulated interest at 8% (2021: 8%) per annum. Total interest accrued on these loans prior to repayment was £1,488,236 (2021: £1,400,601) and for the period was £329,903 (2021: £636,038). At 28 February 2022 the directors owed £214,556 to the Group in respect of excess interest paid during the period, these amounts were repaid subsequent to the year end.

During the financial year, Revolution Beauty Holdings exercised its option to wholly acquire Revolution Beauty Labs (Formerly Medichem Ltd), from a director who had a controlling interest, for an initial consideration of £7,000,000, with a deferred consideration of £16,000,000 to be paid evenly over a 4-year period. In addition to a further contingent consideration of £4,500,000 to be paid evenly over a 4-year period, based upon the company achieving a targeted net assets position as at the date of acquisition. The deferred and contingent consideration accrues interest at 2.5% per annum. Total interest accrued on this consideration for the period is £175,514. Further details of this are set out in note 32.

During the year the Group was invoiced £31k (2021: £145k) by Downshire Heath Consulting Limited, a company under the control of a close family member of A Minto.

During the year the Revolution Beauty Labs disposed of an asset, which was acquired by T Allsworth for £90,000, with the consideration being equal to the fair value of the asset.

Dividends totalling £nil (2021: £nil) were paid in the period in respect of shares held by the Group's directors.

36 ULTIMATE CONTROLLING PARTY

The directors do not consider there to be one ultimate controlling party.

37 SUBSEQUENT EVENTS

The investigation into serious issues of governance, accounting and internal controls that arose during the course of this audit and the independent investigation the Board commissioned in September 2022 concluded in January 2023 and we have worked hard to incorporate required changes into this set of accounts within the shortest possible timeframe.

As announced on 23 September 2022, the Company's auditor wrote to the Board on 21 September 2022 to identify a number of serious concerns that had arisen during the course of its work on the audit of the Company's accounts for the year ended 28 February 2022.

The Board appointed independent external advisors to undertake an independent investigation, and the Company appointed Macfarlanes (lawyers) and FRA (forensic accountants) on 23 September 2022.

A number of financial accounting issues have arisen during the audit and from the Investigation and this has delayed the completion of the audited accounts.

Acquisition of Medichem Manufacturing Ltd ("Medichem")

A call option was granted on 13 July 2021, the details of which were set out in the Company's AIM Admission Document. The option was exercised in October 2021 following the completion of an independent valuation of Medichem, and the total consideration was approximately £27.5m (including payments to reflect a post completion net asset adjustment). Initial consideration of £7m was paid on completion, and deferred consideration of £19m (plus interest) remains outstanding, the remaining £1.5m is satisfied by a loan repayment that was due to Medichem from a property company owned by the Medichem seller. The deferred consideration was due in 4 equal installments of £4.75m payable annually from October 2022. As at the date of this report none of the deferred consideration has been paid.

Certain factors were identified in the investigation which may have impacted on Medichem's reported results in the financial periods prior to the acquisition. These factors were not considered by the independent valuers commissioned by the Board prior to the exercise of the call option disclosed at the IPO.

On 19 December 2022 the Company commissioned a further independent valuation. This has resulted in a new valuation which is materially lower than the original valuation.

As announced on 7 March 2023, the Board are in negotiations with the previous owner of Medichem to reach a revised agreement on the amount of consideration due and the payment terms for any further consideration payable.

Revenue recognition

The Company reached a conclusion that sales of approximately £9.6m made in February 2022 to two distributors did not represent revenue as they did not satisfy all elements of IFRS15, in particular around the extended credit terms offered being materially outside normal terms. These sales were included in the revenue figures published in the Company's FY22 pre-closing trading update on 6 May 2022.

Subsequent to the trading update, these sales have not been included in the FY22 results.

The Investigation concluded that the sales were undertaken for the purposes of meeting sales targets for FY22 and that the sales were made at the request of the Company and included stock items that were not needed by the Distributors.

The Board takes this issue very seriously and we have implemented a zero tolerance policy of pull forward revenue. In addition, cash collection is monitored daily and customers with substantial overdue balances are put on hold until their accounts are back to operating to terms.

The Investigation also reported that between July and September 2021 two members of the Board at the time had directly or indirectly invested £1m (in aggregate) in one of the Distributors. In addition one of those Directors also provided a £0.3m personal loan to the owners of the other Distributor.

Supplier rebates and support payments

Certain irregularities around supplier rebates recognised in FY19 and then capital support payments to the same two suppliers in FY21 were identified. No cash movements happened in relation to these transactions and therefore they have been reversed as prior year adjustment, see Note 4

Inventory provisioning

A revised inventory provisioning methodology has been adopted by the Group, details are contained in Note 4. The new methodology is robust and consistent with current and historically available data, as well as consistent with the requirements of financial reporting standards.

This has resulted in significant additional inventory provision for FY22 of £11.3m (see note 19) and an adjustment to opening reserves as at 1 March 2021, details of this adjustment and the reasoning are in Note 4.

The Group has been and continues to carry excess stock. The appropriate provisioning policy enables us to deal with slow moving stock more quickly and we have put in place a process for exiting excess stock going forwards. We are also tackling the input to the stock balance by reducing the number of new products going forwards to a more appropriate level and by improving our forecasting tools.

Notes to the Consolidated Financial Statements (continued)

Personal loans made by directors

Personal loans had been made by Directors to two distributors (see note above on revenue recognition), certain of the Group's Non-Executive Directors (at the time) and a number of senior managers. None of these loans were disclosed to the Board at the relevant time.

The current Board views these loans as unacceptable business practices that will not be repeated.

Other matters identified

During the course of the Independent Investigation, other matters and actions were brought to the attention of the Directors which were not covered by the areas identified by our auditors.

These matters have been investigated and the Board do not consider there to be any specific liabilities that may arise from these and therefore no further liabilities or contingent liabilities such as claims, tax assessments or irregularities have been considered necessary by the Board.

Amendments to Lending Agreements

On 30 March 2023 the Group announced that it had secured an amended facility agreement with its banking partners. The amend includes a waiver of breaches of the terms of the original agreement. As part of the amended facility agreement which runs through to October 2024, the overall size of the facility was agreed at £32m, reduced from £40m, and is fully drawn.

Independent auditor's report to the members of Revolution Beauty Group Plc

Disclaimer of opinion on the Company financial statements

We do not express an opinion on the financial statements of the Company. Because of the significance of the matters described in the Basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We were engaged to audit the Company financial statements of Revolution Beauty Group Plc (the 'Company') for the year ended 28 February 2022 which comprise the Statement of Financial Position, the Statement of Changes in Equity, and the notes to the financial statements, including a summary of the significant accounting policies. The financial reporting framework that has been applied in the preparation of the Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

Basis for disclaimer of opinion

We do not express an opinion on the Company financial statements because loans receivable from subsidiaries represents a substantial proportion of the Company financial statements and for which we were unable to obtain sufficient appropriate audit evidence.

As disclosed in note 5 to the Company financial statements, Revolution Beauty Group Plc has loans receivable of £142m from subsidiary undertakings as at 28 February 2022 before recognising expected credit losses. Under IFRS 9 – Financial Instruments, entities are required to recognise expected credit losses for all financial assets held at amortised cost, including intercompany loans from the perspective of the lender. The recoverability of these financial assets is reliant on the future cashflows of those subsidiaries and the Board have accordingly prepared their assessment for recoverability based on forecast future cash flows. These forecasts have resulted in an expected credit loss of £97.6m on the intercompany loans receivable as at 28 February 2022.

The forecasts to drive the expected credit loss should be based on conditions prevailing as at 28 February 2022. Senior management and the executive Board have been largely replaced following the year end and current Management have been unable to provide forecasts that would have existed as at 28 February 2022. We have therefore been unable to obtain sufficient appropriate audit evidence that the expected credit loss calculations were prepared on a reasonable and informed basis as at 28 February 2022 and therefore we are unable to conclude that the carrying value of the financial asset as at this date is free from material misstatement.

Additional matters

Notwithstanding that we do not express an opinion on the Company financial statements as a result of the matter noted above, during the course of our audit we identified a number of additional matters where we were unable to obtain sufficient appropriate audit evidence and which would have resulted in a qualified opinion on the Company financial statements had our opinion not been disclaimed. These matters are set out below.

As announced on 23 September 2022, we wrote to the Board on 21 September 2022 setting out a number of serious concerns with respect to certain governance and control arrangements in place over a number of key financial and business transactions that took place during the year ended 28 February 2022. We communicated to the Board a number of findings and issues and we recommended that the Board appoint external advisers to undertake an independent Investigation (the "Investigation"). The Company announced on 13 January 2023 the completion of that Investigation and its findings. Details of the findings of the Investigation are explained in note 37 to the Group financial statements. A number of the matters identified in our communications and audit and by the Investigation have led us to undertake additional audit procedures and would have resulted in qualifications to our opinion. Each matter set out below would have resulted in a separate qualification to our opinion had our opinion not been disclaimed:

Potential liabilities and contingent liabilities

The Investigation report identified a number of matters and actions which could potentially lead to liabilities and contingent liabilities. Management have advised us that they have fully investigated these matters and have not identified any specific liabilities that may arise and as such no further provision or disclosure has been considered necessary by the Board. However, given the nature of these findings, we have been unable to determine whether further liabilities or contingent liabilities, such as claims, tax assessments or irregularities may subsequently materialise and we have therefore been unable to determine the impact that such further potential liabilities or losses may have on the financial position of the Company as at 28 February 2022, and/or whether any further contingent liabilities need to be disclosed in the notes to the Company financial statements.

Related party disclosures

The Investigation identified a number of related party transactions of members of the Board and management which had not been disclosed to all members of the Board nor to us as the auditors. Management have set out in note 35 to the Group financial statements those related party transactions that have been identified through the Investigation as well as those that have been captured during the ordinary course of business. We also refer to note 35 to the Group financial statements where the Board has assessed and disclosed in the Group financial statements that Key Management is limited to the Board of Directors.

Independent auditor's report to the members of Revolution Beauty Group Plc (continued)

There are a number of limitations in us being able to conclude that related party transactions and key management disclosures are complete. The key reasons giving rise to these limitations are as follows:

- the findings from the Investigation as to actions and involvement of certain individuals in the business and engagement with key trading partners may suggest that Management may not have identified all individuals required to be considered as Key Management. However, it has not been possible for us to be conclusive in this respect;
- certain of the Directors that were members of the Board and other senior individuals are no longer with the Group and we are therefore limited as to enquiries that can be made of Management who were present throughout the year being audited; and
- there is an absence of appropriate processes and records in the year to capture all related parties and transactions that may have taken place with those parties.

Should there be further relationships which by their nature would be disclosed as related parties, then transactions made with those parties may have been made outside normal commercial terms which may result in revisions being required to the recording of such transactions. We have therefore been unable to conclude that the Company financial statements are free from material misstatement arising from the omission of related party transactions being fully disclosed and we are unable to determine whether the disclosures in respect of related party transactions in the Company financial statements are complete and accurate.

In addition, we have been unable to determine whether the disclosures in respect of Directors' remuneration are complete and accurate.

Going Concern

Notwithstanding that we do not express an opinion on the Company financial statements as a result of the matter noted above, we draw attention to the matters set out in note 2 to the Company financial statements, where the directors indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. The Company financial statements do not include any adjustments that may be necessary if the Company is not a going concern. As we do not express an opinion on the Company financial statements, we have been unable to conclude on the going concern basis of preparation of the Company financial statements.

Other Companies Act 2006 reporting

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

Strategic report and Directors' report	Because of the significance of the matters described in the Basis for disclaimer of opinion section of our report, we have been unable to form an opinion whether based on the work undertaken in the course of the 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 Company financial statements; and • the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. Because of the significance of the matters described in the Basis for disclaimer of opinion section of our report above, we are unable to conclude in the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, whether there are any material misstatements in the Strategic report or the Directors' report.
Matters on which we are required to report by exception	Arising from the matters as set out in the Basis for disclaimer of opinion section of our report above: • we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; • we were unable to determine whether adequate accounting records have been kept; and • we have been unable to determine whether certain disclosures of directors' remuneration specified by law have been made and are complete. Notwithstanding the matters set out in the Basis for our disclaimer of opinion section of our report above, we have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: • returns adequate for our audit have not been received from branches not visited by us; or • the Company financial statements are not in agreement with the accounting records and returns.

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities in respect of the Annual Report and Accounts, the Directors are responsible for the preparation of the Company 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 Company financial statements, the Directors are responsible for assessing the 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 to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the Company financial statements in accordance with ISAs (UK) and to issue an auditor's report.

However, because of the matter described in the Basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Company 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.

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

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

- we gained an understanding of the legal and regulatory framework applicable to the Company and the industry in which it operates, through discussion with management and the Audit Committee and our knowledge of the industry. We focused on significant laws and regulations that could give rise to a material misstatement in the Company financial statements, including, but not limited to, the Companies Act 2006, the AIM Rules, relevant accounting standards and UK tax legislation;
- we considered the risks of potential non-compliance with these laws and regulations in our initial planning and risk assessment work and communicated these risks to the engagement team to consider in planning and executing their work; and
- following the identification of relevant findings and concerns from our audit work, and the subsequent investigation by the Investigation Committee, we re-considered our planning and risk assessment and identified potential additional fraud risks.

We considered the fraud risk areas of the Company to be management override of controls, completeness of related party transactions which impact the commercial terms of transactions and the existence and valuation of loans receivable from subsidiaries.

Where possible we designed additional audit procedures to address these and communicated these additional risks and procedures to the audit team.

The specific work we have undertaken to address the risk of fraud in the Company financial statements has included:

- considering whether there are undisclosed related party transactions. Due to the evidence in the Investigation Report of potential related parties which were not previously disclosed to the Board, and inherent limitations of our work and the investigation in this area, we have considered it necessary to qualify our opinion in this area, as set out in the Basis for disclaimer of opinion above;
- working with our IT specialists to identify journal entries with characteristics of audit interest based on our fraud risks assessment and then assessing whether these were appropriate by obtaining evidence to support these journals;
- challenging assumptions and judgements made by Management in their significant accounting estimates and judgements in other areas also, including in particular, in relation to the impairment assessment for the carrying value of the expected credit loss on the company receivable from subsidiaries;
- considering whether there are potential additional liabilities arising as a result of matters identified through the Investigation Report. Due to the inherent limitations in assessing these we have issued a disclaimer of opinion in this respect as set out in the Basis for disclaimer of opinion above; and
- involving our forensic specialists in our audit of the findings of the Investigation and allocating further senior team members to the audit team.

Based on the prior period and current year errors noted as well as the results of the investigation, we reassessed our planned audit approach, revising our risk assessment and responses to address the increased risk attached to certain areas of the Company financial statements and revising our materiality.

Independent auditor's report to the members of Revolution Beauty Group Plc (continued)

Our audit procedures were designed to respond to risks of material misstatement in the Company financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the Company financial statements, the less likely we are to become aware of it. In addition, the extent to which the audit was capable of detecting irregularities, including fraud was limited by the matters described in the Basis for disclaimer of opinion section of our report.

Other matter

We have reported separately on the Group financial statements of Revolution Beauty Group Plc for the year ended 28 February 2022. The opinion in that report is qualified and included a material uncertainty related to going concern.

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.

Sophia Michael (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London
United Kingdom
26 May 2023

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Company Statement of Financial Position

As at 28 February 2022

	Note	2022 £'000	2021 £'000
ASSETS			
Non-current assets			
Investments	4	–	1,684
Other receivables	5	44,202	20,794
Total non-current assets		44,202	22,478
Current assets			
Other receivables	5	603	13
Cash and cash equivalents	6	7,263	4
Total current assets		7,866	17
Current liabilities			
Trade and other payables	7	(896)	(309)
Borrowings	8	(23,551)	(19,593)
Total current liabilities		(24,447)	(19,902)
Net current assets/(liabilities)		(16,581)	(19,885)
Total assets less current liabilities		27,621	2,593
Net assets		27,621	2,593
Equity			
Share capital	9	3,097	–
Share premium		103,487	–
Share-based payment reserve		4,409	1,631
Warrant reserve		7,239	–
Retained earnings		(90,611)	962
Total equity		27,621	2,593

As permitted by Section 408 of the Companies Act 2006, a separate profit and loss account of the parent company has not been presented. The parent company's loss for the year was £89,172,000 (14 month period ended 28 February 2021: profit of £977,000). The notes on pages 123 to 129 are an integral part of these financial statements.

These financial statements were approved and authorised for issue by the Board of Directors on 26 May 2023 and were signed on its behalf by:

Bob Holt
Director

Company Statement of Changes in Equity

For the year ended 28 February 2022

	Share capital £'000	Share premium £'000	Share-based payment reserve £'000	Warrant reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2020 – as previously reported	–	–	780	–	–	780
Impact of transition to FRS 101	–	–	163	–	–	163
Balance at 1 January 2020 – as reported under FRS 101	–	–	943	–	–	943
Profit for the 14 month period	–	–	–	–	977	977
Total comprehensive income for the period	–	–	–	–	977	977
Transactions with owners in their capacity as owners:						
Repurchase of equity settled share-based incentives	–	–	(53)	–	53	–
Capital reorganisation	–	–	–	–	(68)	(68)
Share-based payments	–	–	741	–	–	741
Balance at 28 February 2021	–	–	1,631	–	962	2,593
Loss for the year	–	–	–	–	(89,172)	(89,172)
Total comprehensive income for the period	–	–	–	–	(89,172)	(89,172)
Transactions with owners in their capacity as owners:						
Issue of shares, net of transaction costs of £4,940,241	696	105,080	–	–	–	105,776
Capital reorganisation	2,416	–	–	–	(2,416)	–
Repurchase of shares	(15)	–	–	–	15	–
Issue of warrants	–	(1,593)	–	7,239	–	5,646
Share-based payments	–	–	2,778	–	–	2,778
Balance at 28 February 2022	3,097	103,487	4,409	7,239	(90,611)	27,621

Notes to the Company

Financial Statements

1 GENERAL INFORMATION

Revolution Beauty Group plc (formerly Revolution Beauty Group Limited) ("the Company") is a private company limited by shares, and is registered, domiciled and incorporated in England and Wales. The address of the registered office is 2-3 Sheet Glass Road, Cullet Drive, Queenborough, Kent, ME11 5JS.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101).

Previously the Company prepared its Financial Statements under FRS 102, the impact of the change in standard has been to reclassify the Company's amounts due from subsidiaries from current to non-current as the Company does not expect to receive repayment of these balances in the next twelve months. In addition, the Company has reclassified its borrowing from non-current to current, see adjustment 4 in note 4 to the consolidated financial statements. The Company also reclassified a £6m loan from equity to borrowings, see adjustment in note 4 for details of this correction.

The financial statements have been prepared on a historical cost basis, accordance with the Companies Act 2006. The presentation currency used is sterling and amounts have been presented in round thousands ("£'000s").

Disclosure exemptions adopted

In preparing these financial statements the company has taken advantage of certain disclosure exemptions conferred by FRS 101 and has not provided:

- Additional comparative information as per IAS 1 Presentation of Financial Statements paragraph 38 in respect of:
- a reconciliation of the number of shares outstanding at the start and end of the prior period; and
- reconciliations of the carrying amounts of property, plant and equipment, intangibles assets and investment property at the start and the end of the prior period.
- a Statement of Cash Flows
- a statement of compliance with IFRS (a statement of compliance with FRS 101 is provided instead)
- Additional comparative information for narrative disclosures and information, beyond IFRS requirements
- Disclosures in relation to the objectives, policies and process for managing capital
- disclosure of the effect of future accounting standards not yet adopted
- the remuneration of key management personnel
- Related party transactions with two or more wholly owned members of the group

In addition, and in accordance with FRS 101, further disclosure exemptions have been applied because equivalent disclosures are included in the consolidated financial statements of Revolution Beauty Group plc. These financial statements do not include certain disclosures in respect of:

- Share based payments – details of the number and weighted average exercise prices of share options, and how the fair value of goods or services received was determined as per paragraphs 45(b) and 46 to 52 of IFRS 2 Share-Based Payment.
- Financial Instrument disclosures as required by IFRS 7 Financial Instruments: Disclosures
- Fair value measurements – details of the valuation techniques and inputs used for fair value measurement of assets and liabilities as per paragraphs 91 to 99 of IFRS 13 Fair Value Measurement.

Basis of accounting

These financial statements have been prepared under the historical cost convention, as modified by financial instruments recognised at fair value through profit or loss, and in accordance with the Companies Act 2006. Historical cost is generally based on the fair value of the consideration given in exchange for goods, services and assets.

The preparation of financial statements in conformity with FRS 101 requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. If in the future, such estimates and assumptions which are based on management's best judgement at the reporting date, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the year in which the circumstances change.

Reporting period

During the prior period, the company changed its reporting date. As a result, the figures in the prior period cover the 14 month period from 1 January 2020 to 28 February 2021 and therefore are not entirely comparable with the current year figures, which cover the 12 month period from 1 March 2021 to 28 February 2022. The reason for the change in the company's reporting date is to better reflect trading seasonality.

Notes to the Company

Financial Statements (continued)

Going concern

Base Case Forecast

Having been through a challenging year in which the Group listed on AIM, completed a material acquisition, refinanced, and had Board and senior management upheaval following the year end, together with a rapidly changing economic environment, the Group has updated its base case forecast for the period through to May 2024 to reflect all aspects of its current operational structure and consider the impact of all of those factors.

The base case forecast is more conservative than those previously prepared and represents the new management team's prudent view of the likely performance of the business as it re-builds for the future, assessing the Groups performance over a period up to May 2024. A sustainable recovery in growth through to May 2024 is forecast. The first two months of FY24 have shown sales performing marginally ahead of the forecast for each of the months. The base case forecasts that the Group will generate cash as it builds sustainable growth from a solid base, growth is expected to be achieved through current sales channels and some increased distribution, underpinned by marketing and capital investment as set out in the Group's strategy.

In addition to sustainable growth in sales, the base case forecasts that the management team's strategy will drive improvements in working capital, with inventory and receivables managed in line with trading volumes. Existing trading terms with supplier and customers are forecast to be maintained under the base case.

In order to achieve its goals, certain steps to right size the cost base in line with the more conservative revenue forecasts have been taken, which brings the groups cost profile in line with the base case sales forecast and reflects a more normalised cost profile of the business.

Consideration has also been given in the forecast, to the significant accounting changes made during the year. EBITDA and cash flow forecasts allow for the impact of the Groups updated stock provision methodology and the potential cash impact of slow-moving stock.

Under the base case scenario, the lowest amount of headroom against the minimum liquidity covenant is £1,728k in July 2023, the lowest test point in the EBITDA covenant is May 2024, when there is £3,323k of headroom.

Deferred Consideration

On 7 March 2023 the Group announced that it had reached an agreement in respect of the timing of payments of deferred consideration for its acquisition of Medichem Manufacturing Limited.

A Deed of Variation dated 6 March 2023 was signed which amends the terms of the deferred consideration and completion net asset adjustment, adjusting the timing of the payments as outlined below.

- £3.625 million payable on 21 October 2025 (being the £5.125 million consideration reduced by the £1.5 million loan due from one of the Sellers companies, Walbrook)
- £5.125 million payable on 21 October 2026
- £5.125 million payable on 21 October 2027
- £5.125 million payable on 21 October 2028

Interest accrues on outstanding balances at a rate of 2.5% per annum

The revised terms of the deferred consideration provides the Company with additional headroom for its working capital requirements and also allowed the Company to agree revised banking covenants for its debt facilities.

On 19 December 2022, the Group commissioned a further independent valuation of Medichem. This has resulted in a new valuation which is materially lower than the original valuation. The Board are in negotiations with the Seller to reach a revised agreement on the amount of consideration due and the payment terms for any further consideration payable - the consideration currently remains unchanged with negotiations ongoing. No adjustment has been made in the Financial Statements in respect of the ongoing negotiations or any change that may result from them.

Lending Arrangements

On 30 March 2023 the Group announced that it had secured an amended facility agreement with its banking partners. The amendment includes a waiver of breaches of the terms of the original agreement. As part of the amended facility agreement which runs through to October 2024, the overall size of the facility was agreed at £32m, reduced from £40m, and is fully drawn. The directors are of the view that the reduced facility provides the business with sufficient liquidity as it continues delivering its strategy. The amended terms of the agreement and the waivers included are conditional on the Group readmitting its shares for trading on AIM within a reasonable timeframe. Revised covenants have been agreed, which include, a minimum liquidity threshold of £5.0 million and an Adjusted EBITDA covenant, as well as certain non-financial covenants. The Adjusted EBITDA covenant is tested quarterly and the minimum liquidity threshold is tested weekly. The non-financial covenants include a condition that would result in an Event of Default occurring where the auditors qualify the annual consolidated financial statements.

The forecast results under the base case indicate that the Group will remain in compliance with the new covenants throughout the going concern period.

Downside Scenarios

In addition to the base case scenario, the Group has considered the potential impact of a severe but plausible downside scenario. Under the severe but plausible scenario, a 10% reduction in total sales from June 2023, driven by consumer demand in the beauty market caused by

wider economic factors has been modelled. Under such circumstances the Group would take action to reduce costs, which would include, but not be limited to, reducing capital expenditure, marketing and general overheads including people costs.

In such a scenario, if mitigating actions were taken, the Group would remain in compliance with its covenants throughout the forecast period. However, the sensitivity of the Adjusted EBITDA performance under such circumstances suggests that there is a realistic possibility that a prolonged reduction in sales of 10% could result in the Group breaching its Adjusted EBITDA covenant. Were the Group exposed to a similar scenario and no mitigating actions taken, the Adjusted EBITDA covenant would be breached in February 2024.

Under a scenario in which the Group's revenue reduced to 12% below the forecast levels in the base case from June 2023 onward and no mitigating actions were taken, the Group would breach its minimum liquidity threshold in March 2024. The Directors are confident that under such a scenario, there would be sufficient time and control over the cost base to take action to prevent a breach occurring.

If the Group were to breach either of its covenants, it would be reliant on the support of its lenders in order to be able to continue to operate. The Group enjoys a good relationship with its banking partners and is confident of their continued support. Sufficient liquidity to continue operating is retained under all severe but plausible scenarios modelled.

Conclusion

The Directors are pleased with the current performance of the business particularly given the challenging economic outlook and the disruption faced by the business in FY22 and FY23. Net sales have increased since the balance sheet date, with recent data from key retail partners in both the UK and US for the first quarter of 2023 also showing year on year growth in their sell through, which reflects the continued strength of the brand. Steps taken with regard to the deferral and renegotiation of the Medichem consideration and the amendment of the Group's lending arrangements and reductions to the cost base are significant in strengthening liquidity and providing a base from which to grow.

Having considered the information available and recent changes to the business, the directors are satisfied that the base case supports the application of the going concern assumption in preparation of the financial statements.

However, the directors also recognise the challenges the business has faced since its listing on AIM and the underperformance of sales versus previous expectations, as well as the uncertainty in the wider economy. As noted above, the Directors have reset the strategy with reductions in forecast expenditure and improvements to the working capital cycle considered to be commensurate with the level of revenues forecast. The Directors are confident that the adopted strategy and actions taken to address the cost base and working capital cycle can be successfully executed. In the event that revenue falls below the level forecast in the base case scenario, the Directors are also confident that they are able to take mitigating actions to reduce controllable costs further on a timely basis, in order to maintain compliance with the Adjusted EBITDA and minimum liquidity covenant tests.

The directors acknowledge that, in the event either a financial or non-financial covenant were to be breached or that the Group is not readmitted to AIM within a reasonable timescale, the Group would be reliant on its lenders not requiring immediate repayment of the outstanding loan or obtaining alternative finance in order to continue to operate as a going concern. The lenders have provided a waiver in respect of the covenant relating to the Auditors' qualifications in their audit report for these financial statements. Notwithstanding that the audit for the year ended 28 February 2023 has not yet commenced, the directors anticipate that certain qualifications will be carried into the Auditors' opinion on the FY23 financial statements. The lenders have also confirmed their present intention to waive any further Event of Default which might occur as a result of the audit report to be issued by the Parent's Auditor in respect of the financial year of the Group ending 28 February 2023 containing qualifications which are substantially the same as qualifications on these financial statements.

These factors, in conjunction with the sensitivity identified in the severe but plausible downside scenario with respect to the recently agreed Adjusted EBITDA covenant, represent material uncertainty which may cast significant doubt over the Parent's ability to continue to operate as a going concern. The financial statements do not include the adjustments that would be required should the going concern basis of preparation no longer be appropriate.

Investments

Investments in subsidiaries are held at cost less accumulated impairment losses. The Company assesses investments for impairment whenever events or changes in circumstances indicate that the carrying value of an investment may not be recoverable. Impairment losses are recognised in the Statement of Comprehensive Income.

Financial instruments

Financial assets and liabilities are recognised on the statement of financial position when the Company has become party to the contractual provisions of the instrument. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Trade and other receivables

Trade receivables are initially measured at their transaction price. Receivables are held to collect the contractual cash flows which are solely payments of principal and interest. Therefore, these receivables are subsequently measured at amortised cost using the effective interest rate method.

Notes to the Company

Financial Statements (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and other short-term investments held by the Company with maturities of less than three months. These are highly liquid investments that are readily convertible into known amounts of cash and are subject to an insignificant risk of change in fair value.

Classification and subsequent measurement of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all its liabilities.

Trade and other payables

Trade and other payables are initially recognised at fair value less transaction costs and subsequently measured at amortised cost using the effective interest rate method, with all movements being recognised in the statement of comprehensive income. Cost approximates fair value.

Borrowings

Interest-bearing loans are initially measured at fair value, net of direct transaction costs and are subsequently measured at amortised cost. The effective interest method allocates interest expense to each period at the rate which discounts estimated future cash payments through the expected life of the debt to the net carrying amount on initial recognition. Finance charges, including fees and premiums payable on settlement or redemption, are recognised in profit or loss over the term of the loan using an effective rate of interest. Arrangement fees in relation to undrawn facilities are recognised as a prepayment to reflect the right for the Company to borrow in the future on pre-specified terms which may be favourable. The prepayment is released to profit or loss on a systematic basis, the timing of which depends on the probability of further draw down of the facility. If further draw down is not probable, the fee is recognised over the period of the facility to which it relates, if it is probable, the prepayment is held at full amount until draw down.

Equity

Equity instruments issued are recorded at fair value on initial recognition net of transaction costs.

Impairment of financial assets under IFRS 9

An impairment loss is recognised for the expected credit losses on financial assets when there is an increased probability that the counterparty will be unable to settle an instrument's contractual cash flows on the contractual due dates, a reduction in the amounts expected to be recovered, or both.

The probability of default and expected amounts recoverable are assessed using reasonable and supportable past and forward-looking information that is available without undue cost or effort. The expected credit loss is a probability-weighted amount determined from a range of outcomes and takes into account the time value of money.

Impairment of other receivables measured at amortised cost

The measurement of impairment losses depends on whether the financial asset is 'performing', 'underperforming' or 'non-performing' based on the Group's assessment of increases in the credit risk of the financial asset since its initial recognition and any events that have occurred before the year-end which have a detrimental impact on cash flows. The financial asset moves from 'performing' to 'underperforming' when the increase in credit risk since initial recognition becomes significant.

In assessing whether credit risk has increased significantly, the Group compares the risk of default at the year-end with the risk of a default when the investment was originally recognised using reasonable and supportable past and forward-looking information that is available without undue cost. The risk of a default occurring takes into consideration default events that are possible within 12 months of the year-end ("the 12-month expected credit losses") for 'performing' financial assets, and all possible default events over the expected life of those receivables ("the lifetime expected credit losses") for 'underperforming' financial assets.

Impairment losses and any subsequent reversals of impairment losses are adjusted against the carrying amount of the receivable and are recognised in profit or loss.

Share-based payments

The company issues equity-settled share-based incentives to certain employees in the form of share options and incentive shares and recharges the cost of these to the relevant subsidiary company. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date is expensed in the relevant subsidiary's financial statements on a straight-line basis over the estimated vesting period, based on the estimate of shares that will eventually vest. For share options which vest in instalments over the vesting period, each instalment is treated as a separate share option grant, each with a different vesting period. A corresponding adjustment is made to equity.

The fair value of incentive shares and share options with market-based vesting conditions are measured using the Monte Carlo model. The expected life used in the model has been adjusted, based on management's best estimate, for the effect of non-transferability, exercise restrictions and behavioural conditions. The other equity-settled schemes have been valued using a Black Scholes model.

If the vesting conditions of incentive shares or share options are modified in a manner that is beneficial to the employee and this modification increases the fair value of the equity instruments granted (or increases the number of equity instruments granted) measured immediately before and after the modification, the entity shall include the incremental fair value granted in the measurement of the amount recognised for services received as consideration for the equity instruments granted. The incremental fair value granted is the difference between the

fair value of the modified equity instrument and that of the original equity instrument, both estimated as at the date of modification. If the modification occurs during the vesting period, the incremental fair value granted is included in the measurement of the amount recognised for services received over the period from the modification date until the date when the modified equity instruments vest, in addition to the amount based on the grant date at fair value of the original equity instruments, which is recognised over the remained of the original vesting period.

Where equity settled share based payments are granted to employees of subsidiaries, the charge is recognised as an increase the investment in the subsidiary, with a corresponding credit to equity.

Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in shareholders' funds. In this case, the tax is also recognised in other comprehensive income or directly in shareholders' funds, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax is recognised on temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is released or the deferred income tax liabilities is settled.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Since the Group is able to control the timing of the reversal of the temporary difference associated with interests in subsidiaries, a deferred tax liability is recognised only when it is probable that the temporary difference will reverse in the foreseeable future mainly because of a dividend distribution.

At present, no provision is made for the additional tax that would be payable if the subsidiaries in certain countries remitted their profits because such remittances are not probable, as the Group intends to retain the funds to finance organic growth locally.

Dividends

Dividends are recognised when declared and authorised during the financial year and no longer at the discretion of the Group.

3 EMPLOYEES

	Year ended 28 February 2022 Number	14 month period ended 28 February 2021 Number
Average number of staff		
Administration	4	4
Cost of sales	–	–
	4	4

Staff costs of £749k (2021: £nil) for the employees were borne by a subsidiary and recharged to the company.

4 INVESTMENTS

Company	Total £'000
Cost or valuation:	
As at 1 January 2019	943
Additions	741
As at 28 February 2021	1,684
Additions	3,534
Impairment	(5,218)
As at 28 February 2022	–

Notes to the Company

Financial Statements (continued)

Company	Total £'000
Carrying amount:	
As at 31 December 2019	943
As at 28 February 2021	1,684
As at 28 February 2022	–

Name of subsidiary	Principal activity	Country of incorporation and registered office	Proportion of ownership interest and voting rights held
Revolution Beauty Holdings Ltd	Owning of intellectual property	2-3 Sheet Glass Road, Cullet Drive, Queenborough, Kent, ME11 5JS	100%
Revolution Beauty Limited	Wholesale and retail of beauty products	2-3 Sheet Glass Road, Cullet Drive, Queenborough, Kent, ME11 5JS	100%*
Revolution Beauty UK Holdco Limited	Holding company	2-3 Sheet Glass Road, Cullet Drive, Queenborough, Kent, ME11 5JS	100%*
Revolution Beauty Inc	Wholesale and retail of beauty products	3149 MacArthur Blvd, Northbrook, IL – 60062 USA	100%*
Revolution Beauty Nominees Limited	Dormant	2-3 Sheet Glass Road, Cullet Drive, Queenborough, Kent, ME11 5JS	100%*
Revolution Beauty Germany GmbH	Service provider	Hauptstraße 27c, 53604 Bad Honnef, Germany	100%*
Revolution Beauty Cosmetics Limited (Ireland)	Dormant	Alexandra House, The Sweepstakes, Ballsbridge, Dublin 4	100%*
Revolution Beauty New Zealand Limited	Service provider	RSM New Zealand (Auckland), Level 2, Building 5, 60 Highbrook Drive, Highbrook, Auckland, 2013, New Zealand	100%*
Revolution Beauty Labs Ltd (previously Medichem Manufacturing Ltd)	Developing and producing beauty products	Stalham Business Park, Rushenden Road, Queenborough, Kent, ME11 5HE	100%*
Influencer Overnight Limited	Marketing	2-3 Sheet Glass Road, Cullet Drive, Queenborough, Kent, ME11 5JS	50%*

*Held indirectly

On 26 October 2021, the entire share capital of Revolution Beauty Labs Ltd (previously Medichem Manufacturing Ltd) was acquired by the Group.

No subsidiary undertakings have been excluded from the consolidation.

The Company holds a direct investment in Revolution Beauty Holdings Limited. The Company determines whether these assets are impaired when indicators of impairment exist or based on the annual impairment assessment. The annual assessment requires an estimate of the recoverable amount by reference to the value in use of the Revolution Beauty Holdings Limited.

Revolution Beauty Holdings Ltd hold investments in all Group companies, either directly or indirectly and therefore the value in use is based on forecast future cash flows generated by the Group. These forecast cash flows are defined as the Adjusted EBITDA (see Note 2) and are based on the five-year cash flow forecasts. These cash flows have been extrapolated into perpetuity from 2027.

These cash flows are adjusted to take into account the repayment of borrowings at 28 February 2022. These cash flows have been discounted at the Group's weighted average cost of capital of 12%. Based on management's assessment, the recoverable amount of the Company's investment was less than its carrying value and an impairment of £5,370,000 (2021: £Nil) was recognised.

5 OTHER RECEIVABLES

	As at 28 February 2022 £'000	As at 28 February 2021 £'000
Amounts owed by group undertakings – non-current	44,202	20,794

	As at 28 February 2022 £'000	As at 28 February 2021 £'000
Other receivables – current	68	13
Prepayments and accrued income – current	535	–
	44,805	20,807

Amounts owed by group undertakings incur interest at 0% and are repayable on demand. The Company has a receivable of £142.0m from subsidiary undertakings as at 28 February 2022. The Company has considered if these loan receivables are impaired and has recognised an expected credit loss of £97,584k against amounts due from subsidiary undertakings during the current financial year (2021: £Nil).

6 CASH AND CASH EQUIVALENTS

	As at 28 February 2022 £'000	As at 28 February 2021 £'000
Cash at bank and in hand	7,263	4

7 TRADE AND OTHER PAYABLES

	As at 28 February 2022 £'000	As at 28 February 2021 £'000
Trade payables	505	136
Amounts owed to group undertakings	–	29
Accruals and deferred income	391	144
	896	309

Amounts due to group undertakings are unsecured, interest free and repayable on demand.

8 BORROWINGS

	As at 28 February 2022 £'000	As at 28 February 2021 £'000
Other loans	–	13,593
Debt instruments	–	6,000
Revolving credit facility	23,551	–
	23,551	19,593
Payable within one year	23,551	19,593
Payable after one year	–	–
	23,551	19,593

Refer to note 23 of the consolidated financial statements for information on borrowings.

9 SHARE CAPITAL

Refer to note 29 of the consolidated financial statements for information on share capital.

10 RESERVES

Refer to note 30 of the consolidated financial statements for a description of the reserves.

Notes to the Company

Financial Statements (continued)

11 SHARE-BASED PAYMENTS

Details of the share options in existence are shown in note 28 of the consolidated financial statements.

12 RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption not to disclose related party transactions with wholly owned fellow Group companies. Related party transactions with key management personnel (including Directors) are shown in note 35 of the consolidated financial statements.

13 SUBSEQUENT EVENTS

See note 37 to the Consolidated Financial Statements.

Revolution Beauty Group plc

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Company Site: revolutionbeautyplc.com

Registered address:

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