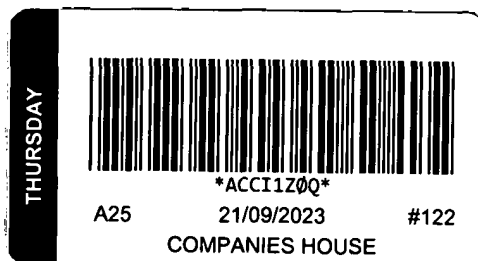


REVOLUTION BEAUTY GROUP PLC
ANNUAL REPORT AND ACCOUNTS 2023
Company Number- 11666025



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Strategic Report

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Chairman's Statement

I am delighted to present my first report as Executive Chair of Revolution Beauty. This is an exciting time for the business as we seek to capitalise on its undoubted strengths.

As has been well publicised, the business has suffered a number of significant commercial and financial shortcomings. These have been outlined in detail in the FY22 annual report. Most of these are now behind us and this is due to the successful actions of my predecessor as Chair, Derek Zissman, outgoing CEO Bob Holt and the wider executive team. With a new Board now in place we can look forward to driving sustainable profitable growth.

LIFTING OF SHARE SUSPENSION

Over the past year, the overriding priority for the business, its shareholders and stakeholders has been to lift the suspension of trading in the Group's shares.

As set out in our FY22 annual report and accounts, the Company's shares were suspended on 1 September 2022. The focus of the Board from then was to work tirelessly to restore trading in the Company's shares for the benefit of all stakeholders.

The hurdles to getting the suspension lifted were,

- the completion of the FY22 audit (annual report and accounts published 26 May 2023).
- the publication of the FY23 interims (published 2 June 2023).
- completion of a report on the Group's working capital carried out by KPMG and similarly a report on the updated Financial Position and Prospects Procedures (FPPP).

- a fully constituted Board with four independent non-executive directors (27 June 2023).

With the publication of the interim results on 2 June 2023, the Company had met the conditions for re-listing, and it also gave notice of the date of the AGM 27 June 2023.

Following considerable work from the whole Revolution Beauty team, the Company's shares were restored to trading on the Alternative Investment Market (AIM) on 28 June 2023.

CORPORATE GOVERNANCE, BOARD AND MANAGEMENT CHANGES

The Group has adopted the Quoted Companies Alliance Corporate Governance Code 2018 (QCA Code) and the Board remains committed to upholding the highest levels of corporate governance. The Board acknowledges that in some areas this was not historically the case, and has taken significant measures to address these historic and complex matters which were the subject of an Independent Investigation.

Between the start of FY23 and the request from boohoo Group Plc for Board representation, there have been a number of significant changes to the Board and management of the business:

- Andrew Clark 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 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 in October and was subsequently appointed Chief Executive Officer and a Director on 28 November 2022.

- In December 2022, Gita Samani and Edward Rumsey also resigned from the Board.
- On completion of the FY22 audit, Tom Allsworth resigned as a Director of the Group on 24 May 2023.

Under the leadership of Bob Holt, two Non-Executive Directors ("NEDs") with significant listed company and commercial experience (Rachel Maguire and Matthew Eatough) were appointed to strengthen the Board and help stabilise it at a time of intense corporate activity. Following the settlement announcement with boohoo Group Plc, three further NEDs were appointed (Peter Hallett, Neil Catto and Rachel Horsefield) to reflect the change in leadership, bringing with them experience closely aligned to the direction of the new leadership team.

Following these appointments, as at the date of this Report, the Board has six NEDs and this will increase to seven imminently once the new CEO is appointed and I become a non-executive Chair.

Since the board changes referred to above, the Board and the Nominations Committee have been conducting a search for a new CEO and for non executive Directors to replace Jeremy Schwartz, Rachel Maguire and Matthew Eatough, who, having played their part in the restoration of the Company's trading on AIM and the transition to the new leadership team, have each decided that they will not put themselves forward for election at the forthcoming AGM. This search

Chairman's Statement (continued)

process is well progressed and we intend to announce a series of appointments in the near future. I would like to thank each of Jeremy, Rachel and Matthew for their responsive and professional service and guidance during this transitional period.

REGULATOR ACTION

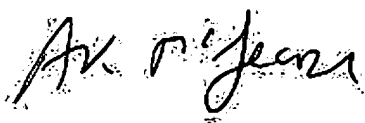
The Company informed the shareholders on 21 July that the Financial Conduct Authority (the "FCA") had notified Revolution Beauty that it had commenced an investigation into potential breaches of the Market Abuse Regulation (EU) 596/2014 (as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018) in relation to certain matters in the period from July 2021 to September 2022. Revolution Beauty is cooperating fully with the FCA and will provide updates in due course.

OUR PEOPLE

I would like to take this opportunity to express my thanks to all the employees of Revolution Beauty for their efforts during what has been a challenging and busy period.

LOOKING FORWARD

The business is well placed to move forward and continue to deliver topline growth and improving profitability under the leadership of its new CEO. The business operates within a growing sector and is positioned to take advantage of the opportunities.



Alistair McGeorge
Executive Chair
31 August 2023

Chief Executive's Review

INTRODUCTION

The Company was listed on AIM in July 2021 and was suspended from trading in September 2022. I was appointed to the Board in October 2022 to bring stability to the business following a period of significant turmoil.

The results presented herewith recognise significant change in the business, Elizabeth Lake the CFO was appointed in May 2022 and was instrumental in bringing the Company out of suspension in July 2023.

As stated in the Chair's report I will be leaving the business at the end of August 2023.

I am proud of what has been achieved under my short tenure and take satisfaction from achieving what I was brought in to achieve, the stabilisation of the business and the lifting of the share suspension.

We are pleased to report the results for the year ended 28 February 2023. Turnover grew by 1.7% to £187.8m (FY22 £184.6m) and losses before tax reducing to £33.9m (FY22 £45.9m).

Adjusted EBITDA for the period was a loss of £7.5m compared to a loss of £0.8m in FY22. All of this loss was in H1 and was due to lower sales and increasing overheads particularly within marketing and people costs. In H2 cost saving measures were put in place and revenue grew.

Both Elizabeth Lake our Chief Financial Officer and I were appointed during the year being reported, and the results include significant changes to those envisaged when the company was floated in July 2021.

Underlying cashflows have improved, however during the period exceptional legal and professional fees (c.£3.8m) and costs of restructuring have been paid (c.£1.3m), impacting cash generation. Without these one

off costs the business would have generated cash through its operating activities. The cash balance at the end of the year is £11m, and the £32m facility is fully drawn, resulting in a net debt balance of £21.0m. The cash balance at 30 August was £10.5m.

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 FY22. The detail of the findings can be found in the FY22 Annual Report and Accounts.

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

The delayed completion of the FY22 results subsequently had a knock-on effect to the timetable for the publication of these FY23 results. In addition, these results also reflect the impact of the issues previously identified, particularly around stock and revenue and the carrying value of Revolution Labs.

The report highlighted a number of accounting irregularities and control issues, which have now been dealt with.

FY23 PERFORMANCE

During the year, we achieved a small increase in Group sales, up 1.7% to £187.8m as compared to the same 12-month period last year. This is a solid performance given the turmoil within the business during the year and the impact of certain customers being overstocked and therefore reducing their buying, particularly in the digital wholesale channel.

I want to highlight the future opportunities for the Group rather than continuing to dwell on the control weaknesses of the past. As part of the restructure we implemented, all global sales heads reported into me and for the first time were accountable for controlling the costs of their individual departments and headcount. We feel more comfortable now with the ability of the teams to forecast sales and costs attributable to them than at any time since joining.

Due to the previous lack of control around new product development, we typically produced over one thousand new products each year into an already saturated product offering. Our sales teams, in conjunction with our customers, are now working to a more controlled product range. We have in the past been recognised as being able to bring innovative products to market more efficiently and speedier than our mass market competitors. We continue to deliver that flexibility.

Our gross margin in the year improved to 40.4% from 38.5% in FY22. The improvement was mainly driven by reducing freight costs and reduced stock provision charges.

Since entering the US market, we have seen strong growth. Work remains ongoing to further strengthen relationships, streamline the product range and improve service levels on stock supply. These measures will ensure continued focus on fulfilling the brand's full potential in the US market.

Our trading throughout our other major markets, in the UK, Germany, the Nordics and Australasia have performed well, and we look forward to building further on those markets whilst opening new territories which offer long term attractive opportunities for profitable growth. The global cosmetics market continues to grow and offers significant rewards for those brands with established

Chief Executive's Review (continued)

relationships and the ability to be innovative and proactive to ever evolving market opportunities.

What became very evident during the early part of my appointment was the underperformance of a number of newly developed brands and sub brands. We have subsequently reduced significantly the product ranges on Revolution Man, Tanning, BH cosmetics and Fragrance. Again, our focus is on our core range of products and in the categories we are successful in, with some variation by country or individual customer need. To reiterate, we continue to provide a flexible approach to give customers products that excite whilst maintaining a commercially viable approach to future partnership discussions.

POST-PERIOD END AND CURRENT TRADING

The post year end trading has continued to perform ahead of our internal expectations. We are seeing increasing demand for our products in our key markets, and our sales teams are confident of hitting their forecast sales targets.

It would be remiss of me to fail to mention the significant management effort which was needed to rescue the business from the errors of the recent past. I would like to thank the slimmed down management team for the successful turnaround in the business in such a short period of time.

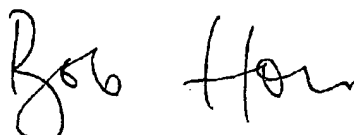
I also should like to thank all stakeholders for their support in the period reported.

OUTLOOK

We are proud of the progress that has been made in the business over the past year, and that we were able to secure the lifting of the share suspension.

We have been focused on reinforcing 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 required standards. I know I am handing over to an experienced team who will continue from here.

The business is poised for the next stage of its growth story, and I wish Alistair and the rest of the team well as they take the business to the next level.



Bob Holt OBE
Chief Executive Officer
31 August 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 Group's digital channels and social media platforms 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. |



Strategy (continued)

Our Strategy and Business Model

Following a detailed review, the overall strategic positioning of Revolution Beauty Group remains largely the same, within this overarching strategy there has been some streamlining of brand and category proliferation to focus on the key Make Up Revolution brand. The business has worked closely with specialist strategic consultants with extensive experience of the beauty market to stress test the strategy. The Revolution Beauty brand is leading in the mass beauty market and is democratising beauty through the use of social media and affordability, enabling consumers to access the latest beauty trends.

The Group is focussed on sharpening the strategy across 5 strategic pillars.

Brand

The Make Up Revolution brand is the primary focus going forward. Revolution Beauty has great brand equity but differentiation will be sharpened further and revolutionary identity celebrated.

Consumer

The Revolution core consumer is young, highly engaged, high frequency purchasers who knows and loves Revolution Beauty.

Channel and Marketing

The focus will be on 3 high growth and headroom markets, the US, UK and Germany. Revolution will leverage its marketing capability. Post the year end a Chief Marketing Officer has been appointed to the Group, the first time this role has been present in the business, demonstrating strategic intent.

Category and Product Portfolio

Revolution Beauty will grow in targeted cosmetics categories, with low barriers to trial and strong right to win i.e., concealer, lip and brow.

Maintaining and strengthening current strongholds, eyeshadow, contouring and highlighting.

Pricing

Revolution Beauty has pricing opportunities relative to legacy brands and prestige players. The quality of product and consistent affordable pricing has created the opportunity whilst maintaining value.

Our Five Strategic Pillars

1. MULTI CHANNEL PLATFORM

Our multi-channel platform is made up of 15,000 retail stores, and distributors across 64 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. 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, 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

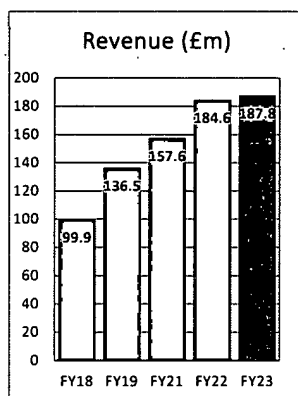
Revolution Beauty Group selected a set of Key Performance Indicators ("KPIs") to monitor the financial and strategic performance of the business. The Group believes that the KPIs provide useful and necessary information on underlying trends to shareholders and the investment community, while also being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

FINANCIAL KPIs

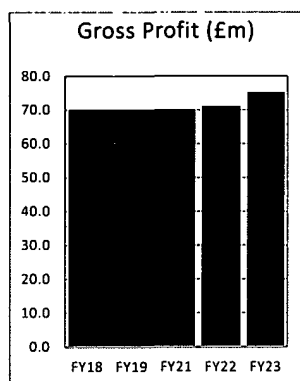
The key financial measures used by the Group are set out below.

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.

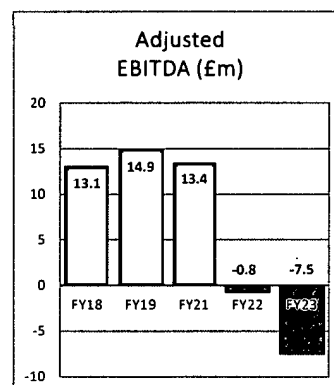
In some cases, the figure is an alternative performance measure, and not a statutory measure. Due to a change in the accounting reference date, FY21 consists of 14 months to 28 February 2021. Adjusted EBITDA is defined as operating profit adjusted for depreciation and amortisation, impairments and reversals of impairment and other adjusting items stated in Note 5 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.

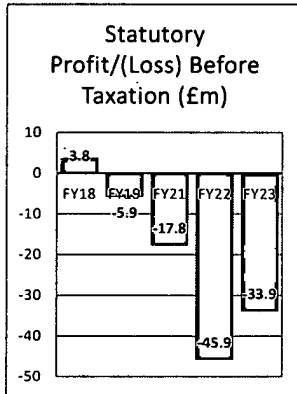
FY23: 12 months to 28 February 2023

FY22: 12 months to 28 February 2022

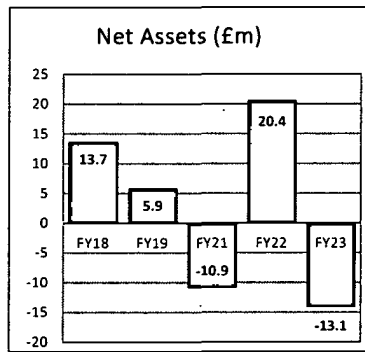
FY21: 14 months to 28 February 2021

FY19: 12 months to 31 December 2019

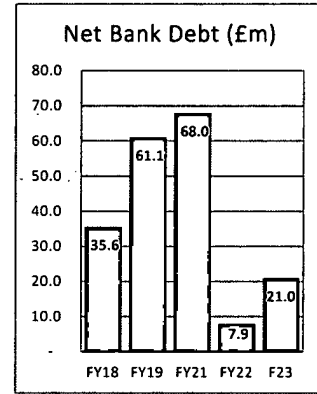
FY18: 12 months to 31 December 2018



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



Net Assets represents total assets less total liabilities.



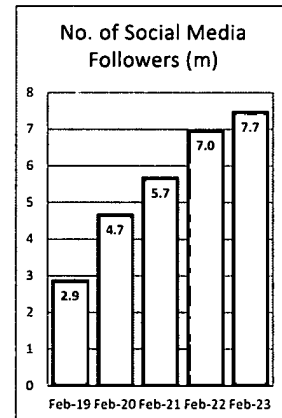
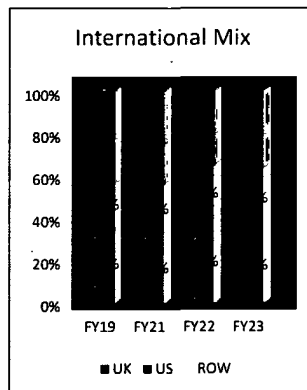
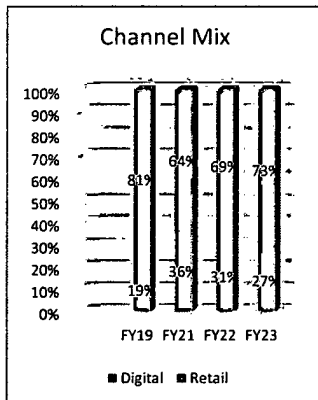
Net Debt represents total borrowings less total cash and cash equivalents.

STRATEGIC KPIS

Herewith are the three strategic KPIS we use to assist managing the business for future growth.

By focussing 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

Following the publication of the FY22 Annual Report and Accounts and the H1 FY23 interims, the suspension on the Company's shares was lifted and the shares have been trading as normal since 28 June 2023.

FY23 is a story of two halves, in H1 Group revenue decreased by 4.2% and adjusted EBITDA was a loss of £7.5m. The second half of the year saw a return to top line revenue growth due to the changes that were made by the new management team both operationally and commercially.

REVENUE

	Year ended 28 February 2023 £'M	Year ended 28 February 2022 £'M	Change £'M	%
Revenue	187.8	184.6	3.2	1.7%
Gross margin	75.9	71.0	4.9	6.9%
Adjusted EBITDA	(7.5)	(0.8)	(6.7)	(834%)

Revenue in the year increased by £3.2m or 1.7%, with the opening of stores following the closures during the pandemic, consumers switched back very quickly from online to physical stores. Overall we saw a rapid decline in online sales of 12% year on year, whilst revenue from our own websites increased 2%, revenue from digital partners fell 23% as they de-stocked following the fall in demand.

Gross margin for the year ended 28 February 2023 improved significantly to 40.4%/£75.9m (FY2022: 38.5%/£71.0m) as a result of improved stock management, and reduced freight costs as freight rates returned to near pre-pandemic levels.

Adjusted EBITDA loss increased from a loss of £0.8m in FY22 to a loss of £7.5m in FY23. The main reason for this increased loss was the marketing spend on stand updates which was significantly higher than FY22 which had been impacted by lockdowns and low spend in stores. In addition, the business had increased staffing levels in FY22 in anticipation of significantly higher revenue and this resulted in higher people costs, particularly in the first half of FY23.

	Year ended 28 February 2023 £'M		Year ended 28 February 2022 £'M		Change £'000	%
By business channel:						
Digital	51.0	27%	58.0	31%	(7.0)	(12.1%)
Stores	136.8	7%	126.6	69%	10.2	8.1%
Total revenue	187.8	100%	184.6	100%	3.2	1.7%
By region:						
UK	67.0	36%	71.5	39%	(4.5)	(6.3%)
US	51.9	28%	48.0	26%	3.9	8.2%
ROW	68.9	36%	65.1	35%	3.8	5.9%
Total revenue	187.8	100%	184.6	100%	3.2	1.7%

As shown in the table above, Group revenue increased by £3.2m to £187.8m in the year ended 28 February 2023 (2022: £184.6m). This revenue growth was achieved during a year in which the business went through significant change as a result of the issues that arose from the Investigation as set out in the CEO report.

Store revenue increased by £10.2m or 8.1% to £136.8m (2022: £126.6m), with both the US and UK store groups growing at 8% and 9% respectively, driven by new distribution in Boots in the UK and new distribution in Walgreen in the US.

An increased number of customers returned to the stores when Covid-19 related trading restrictions were lifted, and this resulted in a decline in digital sales in the year of £7m compared with the prior year. Within this we saw growth of 2% from our own websites, however revenue from our digital partners declined 23% as they implemented significant destocking measures which resulted in a drop in order levels.

Most of the impact of the decline in revenue from our digital partners was in the UK market which resulted in UK sales reducing by £4.5m despite increased store distribution in Boots and a good performance in Superdrug.

US revenue increased by £3.8m due to new distribution in Walgreen, and the recovery of US retailer performance following the pandemic.

In the Rest of the World (ROW) we saw 5.9% growth overall, which included 14% growth in revenue from our distributors.

PROFITS

	Year ended 28 February 2023 £'000	Year ended 28 February 2022 Restated £'000	Change £'000
Gross profit	75,884	71,028	4,856
Marketing and distribution costs	(57,469)	(49,546)	(7,923)
Administrative expenses	(42,161)	(35,038)	(7,123)
Impairment losses on financial assets	(204)	(1,428)	1,224
Impairment of property, plant and equipment	(2,177)	(1,948)	229
Impairment of goodwill	(3,388)	(13,000)	9,612
Provision for legal cases	(1,066)	(1,018)	(48)
Exceptional item – IPO costs	–	(8,936)	8,936
Other income	–	5	(5)
Operating loss	(30,581)	(39,881)	9,300
Net finance costs	(3,293)	(6,034)	2,741
Loss before taxation	(33,874)	(45,915)	12,041
<i>Gross profit margin</i>	40.4%	38.5%	1.9ppt

Gross profit margin for the year ended 28 February 2023 increased from 38.5% to 40.4%. The improvement in margin was driven primarily by the reduction in freight rates following their historical highs due to the pandemic. The margin at H1 was higher at 41.4% due to seasonality, with higher seasonal promotions in H2.

Whilst there will be ongoing changes to the stock provision based on New Product Development (NPD), Net Realisable Value (NRV) and slow-moving stock, the movement between FY22 and FY23 has reduced due to the actions taken by new management to manage stock purchasing, establish exit routes for slow moving stock and focus NPD on fewer better products.

Operating loss for the year ended 28 February 2023 of £30.6m reduced by £9.3m (2022: £39.9m). This was due to a number of factors.

- Improvement in gross profit (£4.9m) driven by reduction in stock provision charges and lower freight rates following record levels during the pandemic.

Financial Review (continued)

- Reduction in one off costs incurred in FY22, impairment of assets (£10.6m, mostly from the acquisition of Medichem), IPO costs (£8.9m)
- Increase in spend on stand updates (£5m) catching up with updates missed during the pandemic, and additional marketing and distribution spend (£2.9)
- Increase in People costs (£2m), resulting from scaling up for expected increase in revenue, loss on foreign exchange on revaluation of US balances (£1.5m) and other overheads (£2.9m).

Loss before taxation for the year reduced to £33.9m (2022: Loss before taxation £45.9m), an improvement of £12.0m.

TAXATION

The Group's tax credit decreased year on year by £1.4m primarily due to the prior year including tax refunds totalling £1.6m arising from historic overpayments and loss carry back, resulting in an overall credit of £1.6m in FY22 compared with a credit of £0.2m in FY23.

LOSS AFTER TAXATION

Loss after taxation decreased to £33.7m (2022: Loss after taxation £44.3m).

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. Exceptional Items are defined in Note 2.

	Year ended 28 February 2023 £'000	Year ended 28 February 2022 £'000	Change £'000
Operating loss	(30,581)	(39,881)	9,300
Depreciation, amortisation & impairment	15,867	22,560	(6,693)
Share-based payment	303	3,534	(3,231)
Loss on disposal of asset	62	-	62
Exceptional items:			
IPO related costs	-	8,936	(8,936)
Acquisition costs	262	621	(359)
Restructuring costs	1,310	261	1,049
Provision for legal cases	1,474	1,018	456
Legal and professional fees	3,528	-	3,528
Audit Fees	300	2,150	(1,850)
Total exceptional items added back	6,874	12,986	(6,112)
Adjusted EBITDA	(7,475)	(801)	(6,674)

Adjusted EBITDA decreased by £6.7m to a loss of £7.5m during the year (2022: £0.8m loss). The reduction in EBITDA was primarily due to additional stand marketing costs and higher People costs as the business had scaled up for high levels of growth at the end of FY22 and the first half of FY23.

Depreciation, amortisation and impairment was significantly lower as a result of the impairments to stands and goodwill made in FY22. The remaining amount of goodwill and assets acquired for Medicchem were impaired in FY23, bringing the carrying value to zero, as a result in changes to forecasts.

As part of the changes the new management team made, teams were restructured which resulted in one off costs associated with the restructure.

Significant one off legal and professional fees were incurred in relation to the Independent Investigation and the work required to enable the suspension on the Company's shares to be lifted.

FINANCIAL POSITION AND RESOURCES

	As at 28 February 2023 £'000	As at 28 February 2022 Restated £'000	Change £'000
Intangible assets	5,728	9,837	(4,109)
Property, plant and equipment	7,928	8,215	(287)
Right of use asset	2,310	4,150	(1,840)
Reimbursement asset	-	3,267	(3,267)
Non-current assets	15,966	25,469	(9,503)
Current assets excluding cash	104,393	101,401	2,992
Liabilities excluding borrowings	(112,817)	(98,507)	(14,310)
Cash and cash equivalents	11,044	15,619	(4,575)
Borrowings	(31,721)	(23,551)	(8,170)
Net debt	(20,677)	(7,932)	(12,745)
Net assets	(13,135)	20,431	(33,566)

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 2023 reduced to £16.0m (2022: £25.5m), mainly due to a further impairment of the acquisition of Medicchem, resulting in no residual carrying value and the movement of the reimbursement asset to current assets due to Management's view that the legal case will be settled within 12 months.

CURRENT ASSETS

Current assets increased to £104.4m as at 28 February 2023 (2022: £101.4m). The inventory balance was higher at £47.6m (2022: £44.7m) which was due to business requirements. There was an increase in Trade Receivables of £3.0m consistent with higher sales. As the US business has grown, there is an impact on trade debtor balances caused by typically longer payment terms. Other receivables also increased by £3.2m representing the reimbursement asset on a copyright infringement legal case (see Note 4).

Financial Review (continued)

LIABILITIES

The increase in total liabilities excluding borrowings as at 28 February 2023 of £14.3m relates mainly to an increase in trade payables of £9m due to stock purchases, impact of foreign exchange, audit fees, and accruals and contract liabilities mainly due to fixture accruals for Walmart and marketing deductions for new and existing US retail customers.

LIQUIDITY

At 28 February 2023, the Group had £11.0m cash, with gross borrowing of £32m fully drawn from the RCF.

The face value of the Group net debt is £21.0m. The reported net debt of £20.7m is after deducting £0.3m of prepaid fees. These figures exclude the deferred consideration.

BANKING FACILITIES

As at 28 February 2023 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 was 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 which the Group cleared. 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 July 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 2023 £'000	Year ended 28 February Restated 2022 £'000	Change £'000
Net cash (used in) generated from operations	(1,959)	(17,841)	(15,882)
Income tax	1,898	(890)	2,788
Net cash generated from operating activities	(61)	(18,731)	18,670
Purchase of intangible assets	(1,018)	(3,066)	(2,048)
Purchase of property, plant and equipment	(7,496)	(4,968)	(2,528)
Purchase of subsidiary	–	(6,630)	6,630
Others	1	(509)	510
Net cash used in investing activities	(8,513)	(15,173)	6,660
Interest paid	(1,175)	(5,000)	3,825
Drawdown of borrowings	8,000	29,000	(21,000)
Repayment of borrowings	–	(78,665)	78,665
(Repayment)/Proceeds of debt instruments	–	(6,000)	6,000
Issue of new shares	–	105,775	(105,775)
Others	(2,127)	(983)	(1,144)
Net cash generated from financing activities	4,698	44,127	(39,429)
Net increase/(decrease) in cash during the year	(3,876)	10,223	(14,099)

Net cash used in operations improved in FY23 and reduced by £15.9m. Without the level of exceptional costs incurred in the year particularly relating to legal and professional fees surrounding the Independent Investigation, and activities to secure the lifting of the suspension on the Company's shares, together with significant restructuring costs, the Group would have generated significant operating cash inflows.

ISSUE OF NEW SHARES

In FY22, 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. No new shares were issued in FY23.

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 on 7 March 2023, confirming that no consideration will be demanded until 21 October 2025. See Note 34 for details of the deferment schedule.

Financial Review (continued)

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 (2022: £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

The Board believes 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. In today's challenging economic environment, balancing the needs and expectations of our stakeholders has never been a more important or challenging task.

Our 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 as follows:

- 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 current Board is extremely mindful of the need to weigh up all these considerations, ultimately acting to promote the success of the Company for the benefit of its members as a whole. Indeed, the principles underpinning section 172 are not only considered at Board level, but also by management when making wider business decisions. The ongoing sustainable success of the Revolution Beauty is dependent on its relationship with a wide range of stakeholders, including consumers, employees, customers, suppliers, banking partners and investors.

The Board understands that the relevance of each stakeholder group may increase or decrease depending on the matter or issue in question and that it is not always possible to provide positive outcomes for all stakeholders. Nevertheless, the Board has and will continue to consider all key stakeholder voices in its decision-making.

In order to understand the needs, wishes and expectations of each stakeholder group, the Company engages with each group through a variety of methods and then brings the stakeholder voice into the boardroom throughout the annual cycle and on specific decisions through information provided by management and direct engagement and reporting by the directors where relevant.

With the impact on the business of the recent issues detailed in the Strategic Review section, the Board has sought to continually re-assess and analyse its business strategy, with a key focus on minimising the impact of these issues and their resolution 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 under review 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 to focus on fewer, better product launches.

Our Stakeholders (continued)

- 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 subcategories 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 group	Their interests	How we engage	2023 Highlights
Our employees	<ul style="list-style-type: none"> • Training, development and career prospects • Health and safety • Working conditions • Diversity and inclusion • Human rights and modern slavery • Fair pay, employee benefits 	<ul style="list-style-type: none"> • Fortnightly global call • Whistleblowing procedures • Employee benefits packages • Employee questionnaires • Employee platform "HiBob" 	<ul style="list-style-type: none"> • Standardised contracts across the Group • Project to review pension provision and bonus.
Our customers	<ul style="list-style-type: none"> • Customer service • Quality products at affordable prices • Wide range of appeal • Innovation • Brand recognition • Inclusive product ranges • Ethical business methods (vegan & cruelty free) • Reliability of supply • Consistency of products 	<ul style="list-style-type: none"> • Distinctive social media presence • Regular interactions with retailer management and buying teams • Bi-annual distributor conferences • Regular collaboration with retailers on assortment and stand updates • Collaboration with influencers 	<ul style="list-style-type: none"> • Increased door numbers to c.17k • Best New Skin Brand in the Marie Claire Skin Awards 2022 with our Salli Hughes x Revolution skincare launch • 7.7m social media followers, and the most popular British beauty brand on TikTok
Our suppliers	<ul style="list-style-type: none"> • Workers' rights • Supplier engagement and management to prevent modern slavery • Fair trading and payment terms • Sustainability and environmental impact • Collaboration • Long-term partnerships 	<ul style="list-style-type: none"> • KPIs and Feedback • Board approval on significant changes to suppliers • Direct engagement between suppliers and specified company contact • Stock exchange announcements 	<ul style="list-style-type: none"> • Agreed regular payment plans with key Chinese and Taiwanese suppliers • Resolved issues with supplier rebates and capital support payments

Stakeholder group	Their interests	How we engage	2023 Highlights
Our investors	<ul style="list-style-type: none"> Financial performance Investment returns Transparency of reporting Business sustainability High standard of governance Risk management Success of the business Ethical behaviour Awareness of long-term strategy and direction 	<ul style="list-style-type: none"> Regular reports and analysis on investors and shareholders Investor meetings Investor roadshow with results Annual Report Company website Stock exchange announcements 	<ul style="list-style-type: none"> Board restructuring Regular market updates on the FY22 audit and the investigation AIM suspension lifted (post year-end)
Our banking partners	<ul style="list-style-type: none"> Business performance & forecast accuracy Cash management and financial control Compliance with laws and regulations High standards of governance Ethical behaviour Data security 	<ul style="list-style-type: none"> Regular meetings & updates Regular reports and analysis Annual Report Stock exchange announcements 	<ul style="list-style-type: none"> Revisited FPPP and working capital requirements to re-establish position post-audit issues Forecasts shared on a regular basis including stock provision levels Agreed new covenants on existing facility
Regulatory bodies	<ul style="list-style-type: none"> Compliance with regulations Worker pay and conditions Gender pay gap data Health and safety Treatment of suppliers Brand reputation Waste and environment Insurance Data protection Consumer protection 	<ul style="list-style-type: none"> Company website Stock exchange announcements Annual Report Direct contact with regulators Compliance updates at Board meetings Regular reporting where required 	<ul style="list-style-type: none"> Worked closely with Company lawyers and NOMAD to ensure compliance with AIM satisfied criteria for lifting share suspension Gender pay reporting used to inform decision-making New risk committee implemented, see our risk section on page 21 Partnerships being built with suppliers
Social and environmental	<ul style="list-style-type: none"> Sustainability Human Rights Energy usage Recycling Waste management Community outreach and CSR Ethically sourced Support chosen charities 	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Introduction of enhanced supplier screening process Work with two charities, Switchboard LGBT+ helpline and Footprints Foundation Streamlined energy and carbon reporting is on p 45. The business is on a journey to reduce its carbon emissions and energy use

Our Stakeholders (continued)

Post-year end, the Board has consulted extensively with shareholders (including boohoo Group Plc itself) and other stakeholders regarding boohoo Group Plc's actions, see the Chair's statement for details. To secure the next stage of growth within the business a change was subsequently agreed whereby Bob Holt has resigned from the Board and will be leaving the business on 31 August 2023. In addition, Derek Zissman resigned from the Board 19 July 2023 and left the business the same day. The Board had rigorously pursued what it considered to be in the interests of shareholders as a whole in relation thereto, not least taking the actions necessary to have the Company's shares readmitted to trading on AIM in the shortest possible timeframe and ensure that all shareholders had the best possible opportunity to vote on boohoo Group Plc's proposals.

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.

Our Risks

RISK MANAGEMENT

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.

Risk management and oversight is within the remit of the following bodies and further details of their roles are set out below:

- The Board
- The Audit Committee
- The Risk Committee
- The Internal Auditor

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.

The Board retains overall responsibility and accountability for the effectiveness of the risk management framework and internal control systems. It also is responsible for setting the risk appetite and ensuring that the strategy of business operates within those parameters.

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 also maintains an outsourced internal audit function operated by RSM UK Group LLP which has focussed largely on (a) a review of the Group's month-end reporting process and (b) a review of the Group's inventory management. 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 FY23. 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 Risk Committee assists the Audit Committee in fulfilling its obligations. Established in March 2023 as part of the wider governance review, the Risk Committee is chaired by the Group Operations Director and other members comprise the senior leadership team.

The Group maintains a risk register which identifies and monitors all principal risks facing the business. It is reviewed by management. The risk register is reviewed by the Audit Committee and the Board.

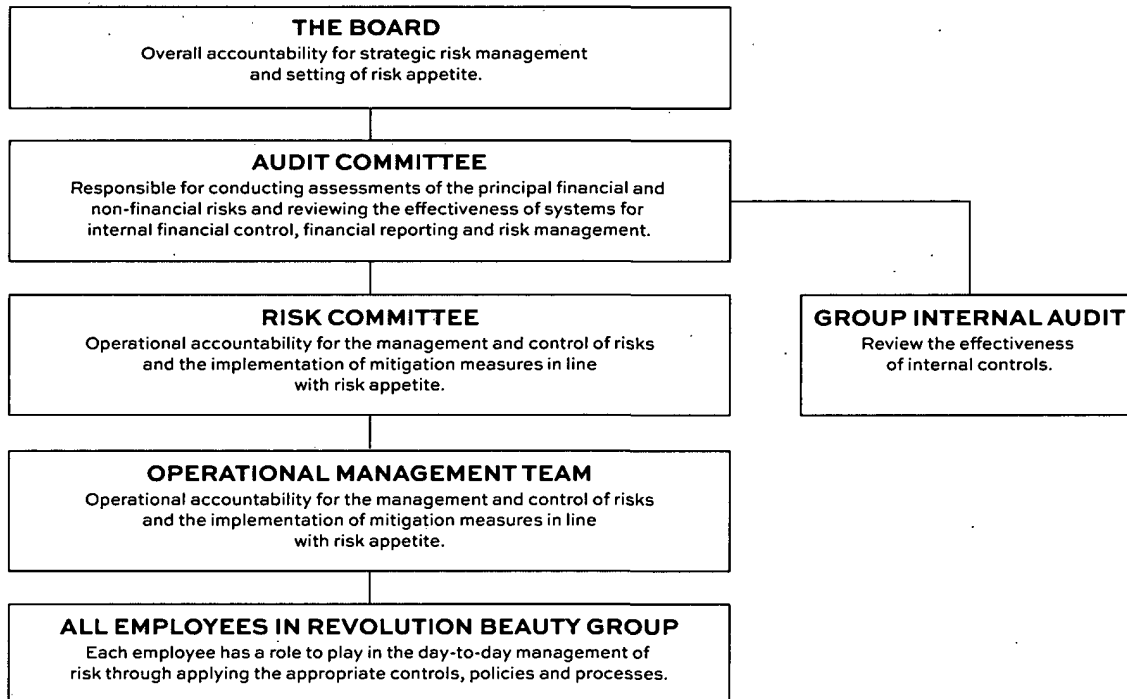
The risk management framework has been thoroughly reviewed and enhanced during FY23, with the following key actions having been taken to ensure robust risk management:

- complete review and updating of the Group's financial policies, procedures and controls under the leadership of the new Chief Financial Officer with the result independently reviewed by KPMG;
- training all relevant staff on the new policies and procedures;
- Set up of Risk Committee reporting to Audit Committee

Our Risks (continued)

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

RISK GOVERNANCE STRUCTURE



PRINCIPAL RISKS AND UNCERTAINTIES

RISK CATEGORY	POTENTIAL IMPACT	MITIGATION
<p>1. North America</p> <p>Brand awareness in North America is limited and requires investment in marketing.</p>	<p>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 ceasing to buy products from the Group.</p> <p>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.</p>	<ul style="list-style-type: none"> • 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.
<p>2. Failure of new product introductions</p> <p>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.</p>	<p>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 changes and challenges in the marketplace, its financial results will be negatively affected.</p> <p>In addition, from time to time, sales growth or profitability may be concentrated in a relatively small number of product types, channels, or countries, creating a risk around concentration. In such a situation, there could be a material adverse effect on the business and profitability were one or more of those product types, channels or countries to experience lower demand.</p>	<ul style="list-style-type: none"> • The Group is able to identify early trends in the market through its influencers, consumers and retail channels. • Processes have been introduced to ensure a 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 should be more successful. • 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.
<p>3. Environmental Risk</p> <p>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.</p>	<p>Potential brand damage as customers become more environmentally aware.</p> <p>Potential increased costs due to government taxation policy.</p> <p>Potential delisting of products where alternative packaging cannot be sourced at reasonable cost or at all.</p>	<ul style="list-style-type: none"> • 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.

Our Risks (continued)

RISK CATEGORY	POTENTIAL IMPACT	MITIGATION
<p>4. Key Personnel Risk</p> <p>To secure the Group's continued recovery, key personnel are needed.</p>	<p>Loss of key personnel could affect the confidence of key stakeholders in the business such as banks and investors.</p> <p>Potentially, changes in leadership could result in further losses of talent at the senior management level. The result could be a significant loss of key relationships, reputation, and access to funding.</p>	<ul style="list-style-type: none"> • Successful introduction of new CFO and CEO who have stabilized the business. • Flexible working and wellbeing initiatives to aid retention and wellbeing of staff. • Share-based incentive plans. • Competitive salary and benefits packages.
<p>5. Supply Chain risk</p> <p>Key suppliers could increase their costs of production or cease supplying the Group at any time and for any reason, at short notice.</p>	<p>The Group has supply relationships with several manufacturers for its products.</p> <p>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 and, in the event of a material supply interruption, affect its relationships with its customers.</p>	<ul style="list-style-type: none"> • All key suppliers are governed by formal contracts. The day-to-day supplier relationships are managed via a supplier manual which suppliers have agreed to abide by, which the Directors believe is standard in the beauty industry. • 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 it. 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.
<p>6. Inflationary Impacts</p> <p>Costs within the business will be susceptible to continuing high rates of inflation and corresponding high interest rates.</p>	<p>The impact of inflation on consumer behaviour, cost of production and transportation, wage inflation, debt costs and cost of services may lead to reduced sales and/or pressure on margins and/or increased cost of sales for the Group. If the Group is unable to recover the loss through pricing and input cost control and other mitigating strategies, this could materially negatively impact the Group's performance and results.</p>	<ul style="list-style-type: none"> • The Group has strong relationships with its suppliers and continues to work closely with them to keep costs down. • Our customers know our brand for quality products at low prices and this remains true in the current economic environment, which helps maintain and improve volumes.

RISK CATEGORY	POTENTIAL IMPACT	MITIGATION
<p>7. IT, Systems and Cyber Security</p> <p>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 and ransomware, telecommunication failures, user errors or catastrophic events.</p>	<p>The Group depends on IT infrastructure from a variety of service providers for digital marketing activities, and electronic communications internally, and with retail and 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.</p> <p>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.</p>	<ul style="list-style-type: none"> • 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 30 August 2023

ALISTAIR MCGEORGE (R)

Executive Chair (from 19 July 2023)

Alistair is currently the non-executive chair of East Imperial plc and The Original Factory Shop, non-executive director of boohoo Group Plc, and chair of The Retail Trust, which provides support to retail employees. He has worked within the retail industry over the last 30 years and has been CEO and/or Chair of multiple retail brands in the UK and internationally. Alistair is a qualified Chartered Accountant.

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 4 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 trained at Coopers and Lybrand (now PWC) and is a chartered accountant.

Since joining the Board, Elizabeth has overhauled the finance function and internal controls in the Group and led it through the highly challenging FY22 audit process, the FY23 audit process immediately thereafter and the independent investigation.

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.

MATTHEW EATOUGH (R)(N)

Independent Non-Executive Director (from 27 June 2023)

Matthew Eatough is an experienced entrepreneur who has founded and run a number of successful businesses, most recently Proxima Group, which was recently acquired by Bain & Co. Matthew has extensive experience growing businesses internationally, particularly in the US. Whilst serving as CEO of Proxima Group, Matthew successfully helped grow the business from 10 employees to over 400, driving the business into new geographies and larger corporates such as Universal Music Group, Walgreens Alliance Boots, Sainsbury's, and British Airways.

RACHEL MAGUIRE (A)(N)

Independent Non-Executive Director (from 27 June 2023)

Rachel Maguire is the founding CEO of Arko Iris Limited, a strategic advisory company providing investor relations, ESG and governance counsel to mid-cap and large-cap leadership teams. Rachel has experience of audit, risk, nominations, and remuneration committees, with a specialist focus on ESG, governance and stakeholder engagement. Rachel's previous roles also include senior roles at the London Stock Exchange, including as UK Head of Main Market and Head of AIM.

NEIL CATTO (A)

Non-Independent Non-Executive Director (from 19 July 2023)

Neil has significant UK plc experience and is currently a non-executive director of tinyBuild Inc., having been CFO of boohoo Group Plc from 2011 to 2022. Neil qualified as a chartered accountant with EY and spent nine years working in their Manchester, Palo Alto and Reading offices. He was previously Finance Director of dabs.com plc and has held senior financial positions in BT plc and The Carphone Warehouse Group.

PETER HALLETT (A) (R) (N)

Independent Non-Executive Director (from 19 July 2023)

Peter is an experienced public company director and is currently an independent non-executive director of Altitude Group plc, a leading end to end solutions provider for branded merchandise across a variety of sectors including corporate and the higher education markets predominately in the US. In addition, Peter was previously CFO of Redstone Group plc, First Quench plc (Thresher and Victoria Wine), Texas Homecare and was retained on many high-profile interim assignments in business turnaround situations. Peter is appointed as the Senior Independent Non-Executive Director of Revolution Beauty and will chair the Audit Committee.

RACHEL HORSEFIELD (N)

Independent Non-Executive Director (from 19 July 2023)

Rachel was the CEO of THG Beauty which is home to some of the worlds fastest growing and most popular destinations for online beauty including LookFantastic and Cult Beauty. During her 10 years with the business, she worked with over 800 of the world's most popular brands and has a wealth of digital and beauty industry experience. Prior to joining THG Rachel was at Boots where she held a number of roles within eCommerce.

A – Member of the Audit Committee

R – Member of the Remuneration Committee

N – Member of the Nomination Committee

BOARD REAPPOINTMENTS

Resolutions to reappoint Bob Holt, Elizabeth Lake and Derek Zissman at the Company's AGM on 27 June 2023 did not pass due to well-publicised shareholder action by boohoo Group plc. All three were subsequently reappointed to the Board on the same day. Following on from this, a settlement was reached with boohoo Group plc which resulted in both Bob Holt and Derek Zissman resigning from the Board on 19 July 2023. Derek Zissman left the business with immediate effect and Bob Holt is due to leave the business 31 August 2023.

BOARD DEPARTURES SINCE 1 MARCH 2022

Since 1 March 2022, the following directors have stepped down from the Board:

Andrew Clark, Chief Financial Officer – 12 May 2022.

Adam Minto, Chief Executive Officer – 9 November 2022.

Gita Samani, Non-Executive Director – 16 December 2022.

Edward Rumsey, Non-Executive Director – 16 December 2022.

Tom Allsworth, Executive Chair – 24 May 2023.

Derek Zissman, Chair – 19 July 2023.

Bob Holt, Chief Executive Officer – 19 July 2023.

Corporate Governance Report

INTRODUCTION

On behalf of the Board, I am pleased to introduce Revolution Beauty Group plc's 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. As Chair of the Board of Directors, it is my responsibility to ensure that the Company has both robust corporate governance and an effective Board.

THE BOARD

Following significant changes to the Board since November 2022, the Board now comprises two executive directors, one of whom is a non-independent executive chair, five additional independent non-executive directors, and one non-independent non-executive director.

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 benefit 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 but is confident that the current Board has the necessary skills, experience and majority independence to address this historic issue and drive the business forward.

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 32 to 34.

This report includes the following:

- our Board of Directors, including biographical details (see page 26);
- the Audit Committee Report (see pages 35 to 38);
- the Nomination Committee Report (see page 39)
- the Directors' Report (see pages 44 to 49); and
- the Directors' Remuneration Report (see pages 40 to 43).

Details of the Board, its committees and the governance framework are also available at <https://revolutionbeautyplc.com/corporate-governance/>.

ROLE OF THE BOARD

The Board sets the strategy for the Group to achieve its long-term plans, monitoring the performance of the business, overseeing corporate governance and managing Group risk. The Board oversees the delivery of that strategy within the context of the values and culture of the Group.

The Board considers the impact on, and the responsibility it has to all the Company's stakeholders, as part of the decision-making process to act in the best interests of the Company for the benefit of its members as a whole. Please refer to our section 172 statement on page 17 for further details.

In addition to the stated challenges faced by the Board, it is also responsible for navigating the business through uncertain times, including the ongoing cost of living crisis and inflationary environment and supply chain issues caused by macroeconomic factors.

BOARD STRUCTURE AND OPERATIONS

The Board comprises two executive directors, an independent chairman and three additional independent non-executive directors. Further details and Board biographies can be found on page 26.

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.

The Chair is responsible for the effective running of the Board and its processes, setting its agendas, ensuring accurate, timely and relevant information flows and monitoring Board effectiveness. There is a clear separation of responsibilities and independence between the Chair and Chief Executive Officer.

A Non-Executive Director's 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.

During the year under review, the Board held 10 scheduled meetings in addition to a number of ad hoc meetings to address matters arising. Attendance records for scheduled meetings are set out below. All Board members are expected to attend all meetings wherever possible. Outside formal Board meetings, Non-Executive Directors communicate directly with the Executive Directors and senior management. Non-Executive Directors are expected to attend meetings of committees of which they are a member and devote sufficient time to ensure they can 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 with some of those responsibilities delegated to the appropriate Board committees. Reserved matters include:

- approval of the Group's long-term objectives and commercial strategy;
- approval of the annual operating and capital expenditure budgets;
- changes to capital structure of the Group;
- major changes to the Group's corporate structure;
- approval of the Annual Report and Interim Results;
- 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;
- approval of contracts which are material strategically, or by reason of size; or those not in the ordinary course of business; and
- acquisition or disposal of interests of more than 5% in the voting shares of any company.

The current Board recognises that certain of these responsibilities around adequate records and internal controls have not been discharged fully historically. However, the Board has worked diligently to address these historic issues and create a robust control environment, including undertaking a full independently reviewed revision of its financial controls. The Board is committed to ensuring the highest standards are met in future and will keep the governance structures and processes under regular review to ensure their efficacy and seek opportunities to further improve.

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/>.

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 annual reviews in future to ensure that the Board delivers its objectives.

BOARD COMMITTEES

As shown above, there are three Board committees – the Audit, Nomination and Remuneration committees.

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 key roles and responsibilities of each committee and their activities during the year are detailed in their individual Committee Reports as follows:

- Audit Committee Report – page 35
- Remuneration Committee Report – page 40
- Nomination Committee Report – page 39

DIVERSITY AND INCLUSION

The Board currently comprises four male members and two female members, including the CFO. Two-thirds of the Board's members (including the Chair) are independent non-executive directors.

Corporate Governance Report (continued)

BOARD AND COMMITTEE ATTENDANCE

The table below sets out the number of scheduled meetings each of the Directors who held office during the year under review attended versus the maximum number they could have attended during the period of 1 March 2022 to 28 February 2023. Rachel Maguire and Tom Eatough were appointed post-year end and are therefore not included here.

Director	Position	Board	Audit Committee	Remuneration Committee
Tom Allsworth	Exec Chair	6 of 7	-	-
Bob Holt ¹	Chief Executive Officer	3 of 3	-	-
Elizabeth Lake ²	Chief Financial Officer	9 of 9	-	-
Derek Zissman	Non-Executive Director	10 of 10	4 of 4	1 of 1
Jeremy Schwartz	Non-Executive Director	10 of 10	4 of 4	1 of 1
Gita Samani ³	Non-Executive Director	8 of 8	3 of 3	1 of 1
Edward Rumsey ³	Non-Executive Director	7 of 8	3 of 3	1 of 1
Adam Minto ⁴	Director	6 of 7	-	-
Andrew Clark ⁵	Director	1 of 1	-	-

1. Bob Holt was appointed on 28 November 2022.

2. Elizabeth Lake was appointed on 12 May 2022.

3. Gita Samani and Edward Rumsey resigned with effect from 16 December 2022.

4. Adam Minto resigned with effect from 9 November 2022.

5. Andrew Clark resigned as a director on 12 May 2022.

6. The Nomination Committee did not meet formally during the year; rather, appointments were considered by the full Board.

BOARD ACTIVITY & STAKEHOLDERS

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

- the suspension of the Company's shares from trading on AIM due to delayed FY22 results, and the readmission of the shares to trading;
- the independent investigation and actions arising from the findings thereof;
- Board composition and the corporate governance environment;
- improvements in financial controls and processes;
- strategy development with external consultants;
- profitability review; and
- organization structure.

Further information about the principal decisions made during the reporting period and the role of the stakeholder voice in decision-making can be found in the Section 172 Statement on page 17.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for establishing and maintaining the Group's system of internal controls which have been reviewed and updated in the year under review. The Board will ensure that management continues to keep 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 but following a full review and revision to the financial policies, procedures and controls and improvements in the overall risk management framework, the Board is confident that the Group can now move forward with a robust controls environment.

Further information on risk management can be found on pages 21 to 25.

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 public company. The Board has focussed on ensuring that the appropriate tone of strong ethical practice and values is communicated and embedded at all levels including through 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.

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 has taken have now aligned the Company's corporate culture with its stated purpose, vision and values. The Board is mindful that maintaining that ethos is an ongoing responsibility. Ensuring that this ethical environment flourishes and is firmly embedded in everything we do will continue to be a focus area for the Board and management team.



Alistair McGeorge
Executive Chair
31 August 2023

QCA Code

The Directors recognised that the standard of corporate governance across the Group needed to improve and have taken significant steps to improve the governance environment and are committed to further progress.

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.

This section represents the current Board's view.

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

The 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 Group's targeted 16 – 35-year-old consumer group.

The Group benefits from having a multichannel business model with approximately 73% of revenue coming from retail partners (traditional, online and hybrid) and 27% from online direct-to-consumer sales. This business strategy enables the Group to respond to trends quickly, test new products online and optimise distribution across both traditional retail and online channels.

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 in the Strategic Report on pages 5 to 7.

2 SEEK TO UNDERSTAND AND MEET SHAREHOLDER NEEDS AND EXPECTATIONS

The Board is committed to identifying shareholder needs and expectations across the whole shareholder base and acting accordingly. Please refer to our section 172 statement on page 17 for details of our general stakeholder engagement methods.

Following the events of recent months and the readmission of the Company's shares to trading on AIM on 28 June 2023, the Board expects to take the opportunity to re-engage with shareholders and re-present the business model on a normalised basis. 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 pending a final resolution of those events.

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 motivations.

The primary point of contact for shareholder liaison is our Executive Chair Alistair McGeorge and our CFO Elizabeth Lake. 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 has established and seeks to 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 17 to 20, 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.

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

Following a thorough review and improvement of the Company's control environment, the Board considers that risk management in the business is now appropriate and effective. A Risk Committee is in place which meets monthly and reports to the Audit Committee on a quarterly basis. The Board and Audit Committee in particular will continue to monitor the risk management environment to ensure its ongoing suitability and efficacy.

Details of the Company's risk management processes are set out in the "Our Risks" section of the Annual Report on pages 21 to 25.

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

The Board as a whole is collectively responsible for the success of the Company, and the structure provides for strong leadership of the Group within a framework of effective controls. Information on the composition and role of the board is set out in the Chair's Corporate Governance Report statement on page 28.

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 supported by the Audit Committee, the Risk Committee, the Remuneration Committee and the Nomination Committee. The roles of each and their activities are set out in the individual committee reports which follow this statement.

The Group is satisfied that the current Board is sufficiently resourced to discharge its governance obligations on behalf of all stakeholders.

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 26.

The Directors believe that the Board has the appropriate balance of diverse skills and experience in order to deliver on its core objectives. Between them, the Directors cover a very broad range of skills and experience across sectors, markets and roles, both in the UK and globally. Their skillsets are varied, and 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 its business strategy.

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 six 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. Board meetings are 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 current Board intends to establish a formal process for the regular assessment of the effectiveness of the Board and each Board committee as well as of the individual contributions of each member of the Board to ensure that their contribution is relevant and effective. Until then, the Chair 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. Please refer to "Corporate Culture" on page 31 and our Section 172 Report on page 17 for further information.

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

The Chair 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.

There are certain material matters which are reserved for consideration by the Board, further details of which are set out on page 29 and in the Corporate Governance section on the Company's website at <https://revolutionbeautyplc.com/corporate-governance/>. The Board is supported by the Audit Committee, Nomination Committee and Remuneration Committee, further details of which are set out on pages 35 to 43.

The Company Secretary works closely with the Chair 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 will review 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.

QCA Code (continued)

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 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 the annual report and accounts, as well as its half-year reports, as key communication channels through which progress in meeting the Group's objectives and updating its strategic targets can be communicated to its shareholders. Results roadshows will be held twice a year with key 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 continue to 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.

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.

Additional information on our stakeholder engagement can be found in our Section 172 Statement on page 17.

Audit Committee Report

INTRODUCTION

As Chair of the Audit Committee ("the Committee"), I am pleased to present the Committee's report for the period ended 28 February 2023. My tenure as Chair only started on 19 July 2023 and therefore the committee work during the financial year ended 28 February 2023 was carried out by the previous Chair, Derek Zissman, and other members of the Committee. These pages provide an insight into how the Committee discharged the responsibilities delegated to it by the Board and the key topics that it considered in doing so.

The Audit Committee Report for the period ended 28 February 2022 was published in the Annual Report relating to that period on 26 May 2023. In that report, the previous Chair addressed the serious issues that had been faced by the Group leading up to the FY22 audit sign-off and the actions taken in respect of the same. I do not propose to repeat these here and would direct readers to that original report for further details of those matters. A copy is available on the Company's website (<https://revolutionbeautyplc.com/results-and-reports/>).

I can report that the FY23 audit process was a far more satisfactory process, having benefitted from improvements in the control environment and financial policies instigated during the year under the leadership of the CFO and Director of Group Finance.

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 independent non-executive directors. As at the year end, the Committee members were, Derek Zissman as the Chair and Jeremy Schwartz. Gita Samani and Edward Rumsey were Committee members during the year and resigned from the Board in December 2022. Since the year-end, Rachel Maguire and I have joined the Committee as Independent non-executive Directors, and Neil Catto has joined as a non-independent non-executive Director. Detailed information on the experience, qualifications and skillsets of all Committee members can be found on page 26.

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 Peter Hallett possesses recent and relevant financial experience.

MEETINGS HELD IN 2022/23

The Committee held four scheduled meetings during the financial year ended 28 February 2023. All members attended all meetings while they were Committee members. An attendance report is set out on page 30.

The Chief Financial Officer ("CFO"), senior finance managers and Company Secretary, although not members of the Audit Committee, also attended meetings. The senior statutory auditor from BDO LLP ("BDO") attends as and when required, particularly at the planning and completion stages of the annual audit.

The Committee discussed, without management present, certain areas such as internal audit reports.

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 advising 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.

Audit Committee Report (continued)

KEY ACTIVITIES

A summary of the key activities which the Audit Committee undertook during the reporting period and up to the date hereof is as follows:

- consideration of issues arising from the FY22 audit and resolution thereof;
- the FY22 audit (please see the Audit Committee Report in the last Annual Report for further information);
- assessment of the external audit plan;
- assessment of the accounting and audit issues identified during the audit process;
- reviewing the regulatory reporting including the interim results announcement;
- monitoring key areas of focus in advance of the commencement of the year-end audit;
- reviewing and monitoring of the internal audit plan and assessment of its progress; and
- reviewing this Annual Report.

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 2024, 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.

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.

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 did not provide any non-audit services during the financial year ended 28 February 2023.

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 in relation to the financial statements 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 51 and the Group's financial statements in general.

Area of focus	Considerations by the Audit Committee
PRESENTATION AND DISCLOSURE OF ADJUSTED ITEMS	Management have included share-based payments, corporate restructuring costs, legal settlements (see copyright case below), Independent Investigation fees, exceptional audit fees 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. The Committee considers that the inventory provisions made by the Group are reasonable and appropriate. The assumptions have been disclosed in Note 2 to the financial statements.
COPYRIGHT LEGAL CASE	The Committee considered the treatment of a contingent liability should have been recognised as a provision at 23 February 2022, as the process of reaching a settlement of the case had reached a stage whereby it had been established that a material settlement was likely and a value could have been accurately estimated. A prior year adjustment has been made to the FY22 accounts to recognise a liability for £4.3m. In addition, it has been determined that reimbursement assets of £3.3m should have been recognised in respect of insurances and reimbursements the Group will receive when a settlement is ultimately paid. During FY23 mediation has continued and the latest estimate of likely settlement is £6.2m, therefore the provision has been increased in the year to reflect this. Correspondingly the reimbursement asset has increased to £4.1m, reflecting the amounts the Group will receive when a settlement is made. Legal cases are monitored on a monthly basis and will 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 this 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. 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.
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 considers 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 17 and 18.
ACQUISITION OF MEDICHEM	An agreement was reached with Tom Allsworth to defer outstanding consideration from the first payment being due October 2022 until now being due in October 2025. This has not been reflected in the FY23 results as the agreement was signed on 7 March 2023. The Company is continuing discussions with Tom Allsworth on the value of the consideration due. The purchase of Medichem was accounted for as a business combination under the acquisition method of accounting in accordance with IFRS 3. Following a review of updated forecasts, a further impairment of £2.8m has been booked in FY23 bringing the carrying value to zero. 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 24 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 and the ongoing concern assessment period has been determined to be 12 months through to August 2024. The Committee is satisfied that the going concern assumption is appropriate. Please see Note 2 to the financial statements

Audit Committee Report (continued)

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 FY23.

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 risks are disclosed in the Strategic Report on pages 21 to 25 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 FY23 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.

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 it considered the FY23 Annual Report taken as a whole to be fair, balanced and understandable and that it provides 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 47 in the Director's Report.

FOCUS FOR 2023/24

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.



Peter Hallett
Chair of the Audit Committee

31 August 2023

Nomination Committee Report

INTRODUCTION

As Chair of the Nomination Committee, I am pleased to present the report for the period from 1 March 2022 to 28 February 2023.

COMMITTEE MEMBERSHIP

The Nomination Committee currently comprises five non-executive directors, with Jeremy Schwartz as the Chair, with Matthew Eatough and Rachel Maguire appointed on 28 June 2023, and Rachel Horsefield and Peter Hallet appointed in July 2023. Edward Rumsey and Gita Samani were members of the Committee during the year but left on 16 December 2023.

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.

TERMS OF REFERENCE

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

MEETINGS HELD IN 2022/23

During the year under review, the Committee did not meet formally but consulted in other ways to recommend the appointment of Elizabeth Lake (CFO) and Bob Holt (initially COO and then CEO). Following the year-end, the Committee met to consider in the appointment of Matthew Eatough and Rachel Maguire as new independent non-executive directors.

The Committee also led the search for the new CEO and two new independent non-executive directors following the Board changes in July 2023.

ROLE AND RESPONSIBILITIES

The Committee responsibilities include reviewing the structure, size and composition of the Board and its Committees, and making 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 Chair or Chief Executive, which are matters for the Board as a whole.

The Committee seeks to ensure 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 EXECUTIVE AND NON-EXECUTIVE DIRECTORS

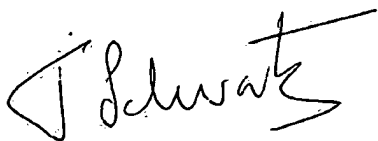
The CFO role was sourced through an independent search firm. The appointment of Bob Holt as COO and then CEO was required quickly and was managed through a recommendation and meetings with Board members. The new non-executives appointed in June 2023 were recruited following interviews with all Board members. The new non-executives appointed in July, were appointed on the recommendation of the Company's largest shareholder.

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.

FOCUS FOR 23/24

Once the composition of the Board is stabilised, 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

31 August 2023

Remuneration Committee Report

INTRODUCTION

As the Chair of the Remuneration Committee, I present the Committee report for the period ended 28 February 2023. It sets out the Directors' remuneration policy and provides details of amounts earned by the Directors during the financial year.

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 executive directors, as required by the QCA Code. We are in the process of reviewing the Group LTIP with a view to resetting 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 Matthew Eatough and Alistair McGeorge as the other members albeit Matthew was not appointed until 28 June 2023 and Alistair was appointed 19 July 2023. Information on the skills and experience of all Committee members can be found on page 26. On 16 December 2022, Committee members Gita Samani and Edward Rumsey stepped down from the Committee in parallel with their resignation from the Board.

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://revolutionbeautyplc.com/corporate-governance/>

MEETINGS HELD IN 2022/23

The Committee met two times in the year under review. A table of attendance is set out on page 30.

ROLES AND RESPONSIBILITIES

The Remuneration Committee is responsible for all elements of the remuneration of the Executive Directors of the Company (including the former executive Chair of the Board) and such other senior executives of the Group as it is designated to consider.

The role of the Remuneration Committee includes:

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

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
<p>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.</p>	<p>Salaries are reviewed annually, and any changes are normally effective in the first quarter of the current financial year.</p> <p>The salary review will consider several factors including but not limited to:</p> <ul style="list-style-type: none"> - 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. - the economic environment. 	<p>Any increases will consider the performance and effectiveness of the individual as well as increases for the wider workforce.</p>	<p>None.</p>
<p>Benefits Provide a modest range of benefits in line with the Company's strategy to ensure remuneration incentivises outperformance.</p>	<p>Benefits are in line with those offered to the senior management team and include employee wellness allowances, sick and holiday pay.</p> <p>The Directors are entitled to be reimbursed for their travelling, hotel and other expenses incurred by them in connection with the business.</p>	<p>The Group is working on a range of employee benefits that will be introduced over the next 6-24 months.</p> <p>The maximum will be set at the cost of providing the benefits described.</p>	<p>None.</p>
<p>Pension Provide appropriate retirement benefits.</p>	<p>Defined contribution plans are offered to all employees.</p>	<p>Pension contribution rate to comply with Auto-Enrolment Pension requirements.</p>	<p>None.</p>
<p>Long Term Incentive Plan ("LTIP") Incentivise senior management to deliver long-term value creation for shareholders and ensure alignment with shareholder interests.</p>	<p>Awards can be granted in the form of conditional shares or nominal cost share options.</p> <p>Vesting is normally subject to the achievement of challenging performance conditions, normally over a period of three years.</p> <p>Awards may be subject to malus/clawback provisions at the discretion of the Committee.</p>	<p>The Remuneration Committee is working on a new LTIP for the new management team.</p> <p>No awards were made to the previous Executive Chair and CEO.</p>	<p>Performance measures may include financial and share price performance-based targets.</p> <p>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.</p>
<p>Share Incentive Plan ("SIP") Incentivise the wider employee base to deliver long-term value creation for shareholders and ensure alignment with shareholder interests.</p>	<p>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.</p>	<p>Maximum free shares up to the value of £3,600 to eligible employees excluding the previous Executive Chair and CEO.</p>	<p>None.</p>

Remuneration Committee Report (continued)

Element and link to strategy	Operation	Maximum opportunity	Performance assessment
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 through the payroll and subject to tax and national insurance deductions.	The Board is guided by the general increase for the broader employee population and takes into consideration relevant market movements.	None.

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 2023.

Director	Salary/Fee £	Benefits in Kind £	Payments in lieu of notice £	Wellness Allowance £	Pension £	Total £
Tom Allsworth*	288,000	64,260	–	500	–	352,760
Adam Minto*	360,000	107,895	–	375	–	468,270
Andrew Clark	100,000	–	130,692	250	550	231,492
Bob Holt	136,615	–	–	125	–	136,740
Elizabeth Lake	230,102	–	–	5,588	–	235,690
Derek Zissman	84,000	–	–	–	–	84,000
Jeremy Schwartz**	66,667	–	–	–	–	66,667
Gita Samani	31,846	–	10,000	–	–	41,846
Edward Rumsey	31,846	–	10,000	–	–	41,846
TOTAL	1,329,076	172,155	150,692	6,838	550	1,659,311

* The Company paid for specific legal advice given to Tom Allsworth and Adam Minto to assist them when contributing to the Independent Investigation commissioned by the Company.

** 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.

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.

Matthew Eatough, Rachel Maguire, Alistair McGeorge, Neil Catto, Rachel Horsefield and Peter Hallett were appointed after the end of the financial year and are therefore not included in the above disclosure.

REVOLUTION BEAUTY GROUP PLC SHARE INCENTIVE PLAN

Under the Revolution Beauty Group plc Share Incentive Plan, a total of nil free shares of the Company were awarded to eligible employees during the year under review.

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.

SIP awards held by Andrew Clark in respect of 2,250 shares lapsed on his departure from the Company in July 2022.

REVOLUTION BEAUTY GROUP PLC LONG-TERM INCENTIVE PLAN

During the year under review a total of nil awards were made under the Revolution Beauty Group plc Long Term Incentive Plan.

LTIP awards held by Andrew Clark (319,772) lapsed on his departure from the Company during the year under review.

DIRECTORS' OUTSTANDING SHARE AWARDS

Following the financial year end, as disclosed in the FY22 accounts and announced on 28 June 2023, 5,684,210 nominal cost options were awarded to Bob Holt and 2,842,105 nominal cost options were awarded to Elizabeth Lake. In addition, 1,875,000 nominal cost options were granted to sixteen other members of the Company's management team. These nominal cost options represent, in aggregate, a total dilution of 3.4% to the Company's issued share capital and were awarded to reward recipients for the hard work done and the trading performance improvement delivered since August 2022, especially in connection with the FY22 accounts and other matters, including preparing for and achieving the Company's restoration to trading on AIM following the suspension of trading on 1 September 2022.

As part of the settlement reached between the Group and boohoo Group Plc, Bob Holt and Elizabeth Lake were permitted to exercise the share options above, and boohoo Group Plc agreed to purchase sufficient of these shares to cover the PAYE tax and NI liability that arose upon exercise.

The remaining nominal cost options that were issued to sixteen other members of the Company have a holding period of 12 months from grant date.

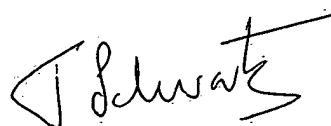
All share options of former director, Andrew Clark, lapsed when he left the business in July 2022.

DIRECTORS' INTERESTS IN SHARES

The interests of the current Directors and their connected persons in the shares of the Company as at the date of this report are set out below.

Directors	Beneficially owned at 24 August 2023	
	Number of ordinary shares	% of issued shares
Elizabeth Lake	1,506,316*	0.5%
Jeremy Schwartz	33,250	0.01%
Matthew Eatough	500,000*	0.2%

*Acquired since 28 February 2023.



Jeremy Schwartz
Chair of the Remuneration Committee
31 August 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 2023. 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.

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 e-commerce channels.

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 3. The Group's revenue during the year was £187.9m (12 months to 28 February 2022: £184.6m) and loss after tax of £33.6m (12 months to 28 February 2022: loss £44.3m).

RESULTS FOR THE YEAR

Results for the year ended 28 February 2023 are set out in the Consolidated Income Statement on page 62.

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 (2022: £Nil).

DIRECTORS

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

- Elizabeth Lake (Appointed 12 May 2022)
- Robert Holt (Appointed 28 November 2022, resigned 19 July 2023)
- Derek Zissman (Resigned 19 July 2023)
- Jeremy Schwartz
- Matthew Eatough (Appointed 27 June 2023)
- Rachel Maguire (Appointed 27 June 2023)
- Alistair McGeorge (Appointed 19 July 2023)
- Neil Catto (Appointed 19 July 2023)
- Peter Hallett (Appointed 19 July 2023)
- Rachel Horsefield (Appointed 19 July 2023)
- Tom Allsworth (Resigned 24 May 2023)
- Andrew Minto (Resigned 9 November 2022)
- Andrew Clark (Resigned 12 May 2022)
- Gita Samani (Resigned 16 December 2022)
- Edward Rumsey (Resigned 16 December 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 40 to 43.

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 30 August 2023, the Company has been advised of the following significant shareholding interests in 3% or more of the voting rights:

	% of issued capital
boohoo Group PLC	27.13%
Thomas Allsworth	15.35%
Adam Minto	15.35%
Pentwater Capital management LLP	6.09%
Hargreaves Lansdown Asset Management	3.91%
William Currie Investments	3.04%

POST BALANCE SHEET EVENTS

Post balance sheet events can be found in Note 34 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 17 to 20 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 2023 the Company's energy usage and associated carbon emissions for the SECR Year 3, 1 March 2022 to 28 February 2023 were as follows:

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 3 12 months 1 March 2022 – 28 February 2023				
		Energy Use (kWh)	% Split (kWh)	Emissions (tCO ₂ e/yr.)	% Split (tCO ₂ e)
Combustion of Gas	(Scope 1)	755,477	78.17%	137.90	76.43%
Electricity	(Scope 2)	178,477	18.47%	34.51	19.13%
Transport – Grey Fleet	(Scope 3)	32,493	3.36%	8.02	4.44%
Total	(Scope 1, 2 and 3)	966,446	100.00%	180.4	100.00%

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

Directors Report (continued)

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%

Intensity ratios

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 (1) our annual turnover figure and (2) the total number of full-time equivalent employees in previous years and this has been repeated for FY23.

In addition, the historic SECR Year 1 and 2 energy performance indicators have also been presented to show our energy consumption trend.

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 11	888,103	171.55	174	5,104	0.986
SECR Year 2	913,572	172.96	208	4,392.2	0.832
SECR Year 3	966,446	180.44	234	4,130	0.771

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/ FTE Employees)
SECR Year 11	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
SECR Year 3	966,446	180.44	162,267,198	595.59	0.136

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

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

The data shows staff numbers have increased from FY22 to FY23 and whilst the turnover for Revolution Beauty Ltd is lower due to a decline in online sales, the increase in staff has had a direct impact on the increase in energy consumption.

The net result indicates an increase in the intensity ratio for annual turnover but a decrease for FTE employee numbers.

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 Company has adopted the QCA Corporate Governance Code. Our Statement on Corporate Governance is included on pages 32 to 34 of the report.

GOING CONCERN

Having achieved the lifting of the suspension of the Company's shares on AIM on 28 June 2023 and performed above the previous budget recent months, the Group has updated its base case forecast for the period through to August 2024 to reflect all aspects of its current operational structure.

Having undertaken a comprehensive review and forecast exercise prior to the lifting of the share suspension on AIM, the updated base case forecast to August 2024 has evolved with the current FY24 performance to date, whilst largely consistent with expectations earlier in the year upon release of the FY22 Financial Statements. The current Board shares the more prudent outlook taken by the previous Board in May 2023, whilst also planning for growth in revenue and profitability. Immediately following the release of these Financial Statements the Board intend to appoint a new CEO, who will have time to develop and deliver a strategy intended to grow from the current base, this process is not expected to result in any significant change to plans or forecasts in the short term.

Management have determined that the period to August 2024 is the relevant period over which to consider the Groups performance for the assessment of going concern and have therefore forecast operational and financial performance over that period. Twelve months has been selected as the going concern period because forecasting over this period is the most accurate, the further out the forecast is the greater likelihood of volatility. The five months to 31 July 2023 have shown sales performing ahead of forecast. The updated base case to August 2024 forecasts that the Group will generate cash as it builds sustainable growth from a solid core business, 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.

Cost reduction measures taken during FY23 have been adhered to and the Group has demonstrated during the early months of FY24 that it now has a more appropriate cost base from which it can achieve its forecast revenue. The significant accounting changes made in the prior year remain and form the basis of the Groups reporting and forecast model.

The Groups gross inventory balance has reduced significantly, resulting in a significant reduction in its inventory provision since FY22. Inventory reductions have been driven by a more rationalised purchasing program, which is more targeted to the Group's demand forecast. In addition, significant amounts of older inventory has been sold through the Groups outlet channels or destroyed where no longer considered to be of any value.

Under the base case scenario, the lowest amount of headroom against the minimum liquidity covenant is £4,632k in December 2023, the lowest test point in the EBITDA covenant is August 2023, when there is £3,211k of headroom.

Lending Arrangements

On 30 March 2023 the Group announced that that it had secured an amended facility agreement with its banking partners ("the Lenders"). 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 for the Going Concern period. The facility matures in October 2024, it is the board's intention and expectation that the facility will be refinanced during FY24. Indeed, following the lifting of the share suspension, initial discussions with the Group's banking partners have started positively. The Group continues to enjoy the support of its banking partners, management believe that recent progress in managing net debt, generating cash, ensuring covenant compliance and rationalising the cost base have positioned the Group well for refinancing its debt facilities and is confident of refinancing beyond October 2024.

Revised covenants remain in place and include a minimum liquidity threshold of £5.0 million and an Adjusted EBITDA covenant. Certain non-financial covenants that applied following the amendments of the agreement were complied with and are no longer in place. The Adjusted EBITDA covenant is tested quarterly, and the minimum liquidity threshold is tested weekly.

The remaining 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 lenders have provided a waiver in respect of the covenant relating to the Auditors qualifications in their audit report for these financial statements as was indicated in the FY22 financial statements.

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

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 payment, all of which are now payable beyond the Going Concern period.

Directors Report (continued)

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 August 2023, driven by consumer demand in the beauty market caused by wider economic factors has been modelled. Under such circumstances the Group would need to 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 10% below the forecast levels in the base case from September 2023 onward and no mitigating actions were taken, the Group would breach its minimum liquidity threshold in February 2024. The Directors are confident that under such a scenario, there would be sufficient time for them to take actions within their control over the cost base 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, 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 shares resumed trading 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 current Board continue to believe in this strategy and look to enhance the business further so that it is well placed to grow to deliver its full potential.

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 within their control to reduce 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, due to either a downturn in operational activity or the impact or timing of settlement of any financial commitments, known or otherwise, arising from legacy issues, 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 of their audit report of these financial statements. Notwithstanding that the audit for the year ending 28 February 2024 has not yet commenced, the directors anticipate that certain qualifications will be carried forward into the Auditors opinion on the FY24 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 2024 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 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.

AUDITOR

BDO LLP were re-appointed as auditor to the Company during the year. 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 30 August 2023.



Alistair McGeorge
Chair

31 August 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:

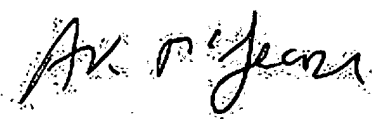
- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to 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.



Alistair McGeorge
Executive Chair

31 August 2023

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 2023 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 2023 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 prior year to 28 February 2022 and which impacted the Group financial statements for the year ended 28 February 2022 and which may also have had a consequential impact on the Group financial statements for the year ended 28 February 2023. 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. A number of the matters identified in our letter and by the investigation led us to undertake additional audit procedures and resulted in qualifications to our opinion in respect of the Group financial statements for the year ended 28 February 2022. We have therefore considered the impact of those qualifications in determining the qualifications to our opinion on the Group financial statements for the year ended 28 February 2023. 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 advised us that they fully investigated these matters and have not identified any further 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 continue to be 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 2023, and/or whether any further contingent liabilities need to be disclosed in the notes to the Group financial statements.

Cancelled purchase orders

Management had placed deferred purchase orders prior to and during the pandemic. As a result of the trading terms with its suppliers, this resulted in the Group having to negotiate a settlement for these unfulfilled orders. A liability of £1.1m was recorded as at 28 February 2022 as Management's best estimate of the unavoidable cost in meeting these commitments. We were unable to obtain sufficient appropriate audit evidence to support the recognition of these commitments at the 28 February 2022 or whether the commitments should have been recognised in a prior period or constitute a non-adjusting post balance sheet event. Given that we were unable to conclude on the opening provision and the timing of the recognition of the associated expense, we are therefore unable to determine whether the income statement for the year ended 28 February 2023 is materially correct and/or whether the amount expensed previously for cancelled orders has been recorded in the correct period and consequently whether any adjustment to the Group financial statements for the year ended 28 February 2023 is required.

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 Allsworth (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.

As a result of these issues, we were unable to obtain sufficient appropriate audit evidence to support the carrying value of goodwill arising on the acquisition of Medichem as at 28 February 2022 included in the balance sheet at that date as £2.8m. We were therefore unable to determine whether the subsequent impairment of goodwill of £2.8m included in the Group financial statements for year ended 28 February 2023 is materially correct and/or whether the impairment included in the Group financial statements has been recorded in the correct period, and consequently whether any adjustment to the Group financial statements for the year ended 28 February 2023 is required.

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

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 33 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 33 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 was 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, an Event of Default arises where a qualified audit report is issued on the consolidated financial statements. The Lenders previously issued a waiver in respect of this clause relating to the year ended 28 February 2022 and have issued a further waiver in respect of this clause relating to the financial statements for the year ended 28 February 2023. The Lenders have confirmed their present intention to issue a similar waiver relating to the financial statements for the year ending 28 February 2024 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 2023. 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, due to either a downturn in operational activity or the impact or timing of settlement of any financial commitments, known or otherwise, arising from legacy issues, 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.

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.

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

Overview – for the year ended 28 February 2023

Coverage¹	83% (2022:80%) of Group loss before tax 100% (2022:100%) of Group revenue 99% (2022:94%) of Group total assets		
Key audit matters	2023	2022	
	Material uncertainty related to going concern	✓	✓
	Revenue recognition	✓	✓
	Management override of controls	✓	✓
	Inventory provision	✓	✓
	Legal dispute	✓	x
	Existence and valuation of trade receivables	x	✓
	Business acquisition of Revolution Beauty Labs Ltd and associated deferred consideration	x	✓
	Carrying value of non-current stand assets	x	✓
	Three KAM's included on our audit report in respect of the financial statements for the year ended 28 February 2022 are no longer considered to be a key audit matters this year, as indicated above, because:		
<ul style="list-style-type: none"> • Business acquisition of Revolution Beauty Labs Ltd and associated deferred consideration related to the acquisition that took place in 2022 and is therefore not relevant to the current period; • Existence and valuation of trade receivables was identified as a key audit matter in 2022 as a result of the inter-relationship with revenue and significant balances which were outstanding that were found to relate to revenue that was subsequently reversed. Similar issues have not been identified in 2023; and • Carrying value of non-current stand assets was considered to be a KAM in 2022 due to the loss making position and the revised inventory provisioning policy in 2022 that had a material impact on cashflows which led to a need to reassess impairment indicators for stands in respect of prior years. 			
Materiality	Group financial statements as a whole £0.93m (2022: £0.9m) based on 0.5% (2022: 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.

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

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.

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

Key audit matter		How the scope of our audit addressed the key audit matter
<p>Revenue recognition</p> <p>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.</p> <p>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.</p> <p>Note 7 – sets out the analysis of the Group’s revenue by class of business as well as by geographical market.</p>	<p>The Group generates revenue through the supply to retail store groups and distributors (Business to Business - B2B), sales directly to the consumer via the Group’s own website (Business to customer - B2C) and supplies inventory on a consignment basis.</p> <p>Revenue is recognised in line with the requirements set out in IFRS 15 - Revenue from Contracts with Customers (“IFRS 15”) taking into consideration contracts in place, identification of the relevant performance obligations and determination of the transaction price.</p> <p>Revenue is recognised on a net basis where applicable taking into consideration the relevant performance obligations in respect of the contracts with the retail store groups. There are various deductions processed against payments made by customers which are offset against revenue as appropriate. Given the extent of deductions taken by the retail store groups, there is a risk that not all deductions are appropriately recognised in the correct accounting period and offset correctly as a reduction to revenue.</p> <p>Revenue is only to be recognised when the performance obligation is settled. The recognition of revenue is identified as a significant risk with a particular focus around the year-end for the B2B revenue stream. Therefore, the significant risk of fraud associated with revenue was concentrated on the appropriate recognition of revenue and any manual adjustments made directly to revenue.</p>	<p>The following procedures were carried out in response to the risks identified:</p> <ul style="list-style-type: none"> • Business to Business revenue (B2B) <p>We performed the following procedures:</p> <ul style="list-style-type: none"> • for a sample of customer contracts with significant retail store groups and consignment customers, we read the terms of business to check that the appropriate application of IFRS 15 had been applied, and we agreed those terms back to the recognition of revenue where appropriate; and • 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. <p>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:</p> <ul style="list-style-type: none"> • 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 • 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. <p>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.</p> <p>Key observations:</p> <p>Based on the work performed, 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.</p>

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

Key audit matter		How the scope of our audit addressed the key audit matter
<p>Management override of controls Refer to pages 35 to 38 (Audit and Risk Committee Report)</p>	<p>The findings from the Investigation together with our assessment of the control environment identified evidence that senior management were able to override the controls that were in place during the prior year and that this situation continued in FY23. Our audit also identified a number of misstatements in the prior period which also impact the FY23.</p> <p>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 2023.</p>	<p>We involved our forensic specialists in our response to, and our audit of, the findings of the Investigation.</p> <p>We evaluated the terms of engagement and credentials and independence of the Group's appointed external advisors. 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.</p> <p>Based on the prior period misstatements noted, as well as the results of the Investigation, we ensured our planned audit approach appropriately addressed the matters that had been raised through the Investigation. We also considered the impact on the level of our materiality used in testing to ensure appropriate consideration of the level of expected errors. 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.</p> <p>In light of the findings from the Investigation we performed an extended analysis of work 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 considered to have higher risk criteria and which we agreed back to supporting documentation which we considered appropriate.</p> <p>We planned the scope of our work throughout the audit to include in depth challenge of management and those charged with governance, and applied increased and scepticism in all areas.</p> <p>We sought alternative representations and required additional procedures to be performed to support those representations where in our judgement, we considered to be necessary.</p> <p>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 2023, and for the financial results of the year then ended.</p>

Key audit matter		How the scope of our audit addressed the key audit matter
<p>Inventory provision £47.6m (2022: £44.7m) after provision of £33.9m (2022: £39.8m) of inventory held at the balance sheet date.</p> <p>Note 2 sets out the accounting policies for inventory.</p> <p>Note 3 sets out judgements and key sources of estimation uncertainty within inventory.</p> <p>Note 19 sets out the components of inventory and amounts recognised as an expense in the period.</p>	<p>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.</p> <p>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:</p> <ul style="list-style-type: none"> – future selling prices and volumes; and – the future costs associated with selling the inventory. <p>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 an inventory provision using the same methodology as that adopted for the first time for the preparation of the 2022 financial statements.</p>	<p>We performed the following audit procedures to address the risks identified:</p> <ul style="list-style-type: none"> • obtained an understanding of the stock provision methodology and policies, together with how estimates and assumptions were determined by management; • confirmed that the provisioning methodology adopted by management remains appropriate and prepared on a consistent basis to the prior year; • assessed the accuracy and completeness of the information used by management in calculating the provision by performing 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 by the use of historical evidence, post year end actual sales and knowledge of the industry, 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. <p>Key observations: We are satisfied that the inventory provision has been calculated appropriately and that inventory is recorded at the lower of cost and net realisable value.</p>

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

Key audit matter		How the scope of our audit addressed the key audit matter
<p>Legal Dispute Provision of £6.2m (2022: £4.3m) and reimbursement assets of £4.1m (2022: £3.3m) recognised at the balance sheet date and related disclosures of contingent assets (note 27).</p> <p>Note 2 sets out the accounting policies for provisions and contingent assets.</p> <p>Note 3 sets out judgements and key sources of estimation uncertainty within provisions and contingent assets.</p> <p>Note 27 sets out the details of the legal dispute and the unrecognised contingent asset.</p>	<p>The Group has a number of legal cases. The Group is required to assess whether it is probable that there will be a financial outflow related to these cases and, if so, recognise a provision based on their best estimate.</p> <p>The most significant of these cases is the claim into the historic unlicensed use of music used in the Group's social media posts. To date there have been two rounds of mediation in relation to this case and the Group has made settlement offers.</p> <p>In addition the Group has an insurance policy and indemnities provided by the pre-IPO shareholders of Revolution Beauty Group Plc. When a provision is recognised, the Group will be required to assess if receiving reimbursement is virtually certain to recognise an asset.</p> <p>Due to the significance of the amounts involved, and level of judgement required in this matter we determined this to be a key audit matter.</p>	<p>We completed the following audit procedures to address the risks identified:</p> <p>we evaluated Management's assessment of the accounting required for the legal case, which includes internal and external legal counsel's assessment of the case, and performed procedures to reach an independent assessment of the conclusions reached. These included:</p> <ul style="list-style-type: none"> - obtained and read external counsel's assessment of the likely outcome of the case and assessed the accuracy and completeness of the information used by Management in calculating the provision, which included having direct discussions with internal and external legal counsel on the facts, circumstances and timeline of events in respect to the case; - obtained and inspected relevant supporting documentation, which included legal risk assessments, communication with claimants, written settlement offers made and counter offers received; - challenged Management where appropriate to ensure all relevant information was considered in the determination of the provision based on the information available at each reporting period; - reviewed Management's assessment in respect to the potential reimbursement assets to the Group if the provision were to be settled and considered the assessment against the requirements of IAS 37: Provisions, Contingent Liabilities and Contingent Assets, for the recognition of reimbursement assets or disclosure of contingent assets; - considered the associated taxation impacts of the recognition of the provision and corresponding reimbursement assets. We challenged Management on the relevant jurisdiction to ensure that the provision and reimbursement assets (which are recognised in different jurisdictions and hence for tax purposes are to be considered independently) are considered appropriately in respect to the different tax laws and requirements for tax purposes; and - considered the adequacy of the disclosures in the Group financial statements against the requirements of the relevant accounting standards.

Key audit matter		How the scope of our audit addressed the key audit matter
		<p>Key observations: We are satisfied that the provision for the expected settlement of the legal dispute has been determined appropriately and that the evidence to support the virtually certain basis for recognition of the reimbursement assets is appropriate. We are also satisfied that the disclosures in respect of the provision and reimbursement assets relating to the legal dispute, and the unrecognised contingent asset, are in accordance with the Group's accounting policies and the accounting standards.</p>

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:

	2023	2022
Materiality	£0.93 million	£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	£0.56 million	£0.54 million
Basis for determining performance materiality	60% of 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 significant component of the Group based on a percentage of between 48% and 86% (2022: 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 £450,000 to £800,000 (2022: ranged from £350,000 to £810,000). In the audit of each component, we further applied performance materiality levels of 60% (2022: 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 £27,900 (2022: £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 and Company financial statements and our auditor's reports 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.

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

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.

<p>Strategic Report and Directors' report</p>	<p>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:</p> <ul style="list-style-type: none"> the information given in the Strategic Report and the Directors' report for the financial year for which the 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. <p>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.</p>
<p>Matters on which we are required to report by exception</p>	<p>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.</p> <p>We have also been unable to determine whether certain disclosures of directors' remuneration specified by law have been made and are complete.</p>

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; and
- 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.

We considered the fraud risk areas to be management override of controls and revenue recognition, specifically the mis-statement of revenue for the financial year, valuation of inventory through using inappropriate assumptions to determine the provision, completeness of related party transactions which impact the commercial terms of transactions and an appropriate recognition and disclosure of provisions in respect of the ongoing legal case on copyright infringement claims.

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 (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).
- considering the appropriateness of alternative performance measures and testing their calculation and rationale for inclusion as alternative performance measures;
- challenging management on the ongoing legal case for the copyright infringement claims and confirming that the accounting treatment of the Boards best estimate of the provision and accounting thereof is appropriate and sufficiently disclosed (see the key audit matters section above);
- 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.

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 2023. The opinion in that report is a qualified opinion 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, UK
31 August 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 2023

	Note	Year ended 28 February 2023 £'000	Year ended 28 February 2022 Restated £'000
Revenue	7	187,842	184,579
Cost of sales		(111,958)	(113,551)
Gross profit		75,884	71,028
Marketing and distribution costs		(57,469)	(49,546)
Administrative expenses			
– General administrative expenses		(42,161)	(35,038)
– Impairment losses on financial assets		(204)	(1,428)
– Impairment of property, plant and equipment and right-of-use assets	17, 18	(2,177)	(1,948)
– Impairment of goodwill and other intangibles	16	(3,388)	(13,000)
– Provision for legal cases	27	(1,066)	(1,018)
– IPO related costs	5	–	(8,936)
Total administrative expenses		(48,996)	(61,368)
Other operating income	10	–	5
Operating loss	10	(30,581)	(39,881)
Finance income	12	1	76
Finance costs	13	(3,294)	(6,110)
Loss before taxation		(33,874)	(45,915)
Income tax credit/(expense)	14	228	1,606
Loss for the year		(33,646)	(44,309)
Other comprehensive income net of taxation			
Exchange differences on translation of foreign operations – may be reclassified to profit and loss		(223)	158
Total comprehensive loss for the year		(33,869)	(44,151)
Earnings per share (p)	15	(10.9)	(15.7)
Diluted earnings per share (p)	15	(10.9)	(15.7)
Adjusted EBITDA*	5	(7,475)	(801)

*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 67 to 99 are an integral part of these financial statements.

Consolidated Statement of Financial Position

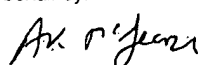
As at 28 February 2023

	Note	As at 28 February 2023 £'000	As at 28 February 2022 Restated £'000
Non-current assets			
Intangible assets	16	5,728	9,837
Property, plant and equipment	17	7,928	8,215
Right-of-use assets	18	2,310	4,150
Reimbursement asset	27	-	3,267
Total non-current assets		15,966	25,469
Current assets			
Inventories	19	47,606	44,683
Trade and other receivables	20	52,708	55,334
Reimbursement asset	27	4,079	-
Corporation tax recoverable		-	1,384
Cash and cash equivalents	21	11,044	15,619
Total current assets		115,437	117,020
Current liabilities			
Lease liabilities	18	(2,060)	(1,915)
Trade and other payables	22	(82,707)	(69,924)
Deferred consideration	24	(10,910)	(4,889)
Provisions	27	(7,060)	-
Borrowings	23	(31,721)	(23,551)
Corporation tax payable		(28)	(48)
Total current liabilities		(134,486)	(100,327)
Net current assets/(liabilities)		(19,049)	16,693
Total assets less current liabilities		(3,083)	42,162
Non-current liabilities			
Lease liabilities	18	(954)	(2,732)
Deferred consideration	24	(9,098)	(13,504)
Deferred tax liabilities	26	-	-
Provisions	27	-	(5,495)
Total non-current liabilities		(10,052)	(21,731)
Net assets/(liabilities)		(13,135)	20,431
Equity			
Share capital	29	3,097	3,097
Share premium		103,487	103,487
Warrant reserve		7,239	7,239
Merger reserve		14,860	14,860
Translation reserve		446	669
Retained earnings		(142,264)	(108,921)
Total (deficit)/equity		(13,135)	20,431

The notes on pages 67 to 99 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 31 August 2023 and were signed on its behalf by:



Alistair McGeorge
Director

Consolidated Statement of Changes in Equity

For the year ended 28 February 2023

	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		-	-	-	14,860	511	(64,989)	(49,618)
Loss for the year – as restated		-	-	-	-	-	(44,309)	(44,309)
Other comprehensive income net of taxation:								
Foreign operations – foreign currency translation differences		-	-	-	-	158	-	158
Total comprehensive income/expense for the year – as restated		-	-	-	-	158	(44,309)	(44,151)
Transactions with owners in their capacity as owners:								
Issue of shares, net of transaction costs of £4,940,241	28	696	105,080	-	-	-	-	105,776
Capital reorganization	28	2,416	-	-	-	-	(2,416)	-
Repurchase of shares	28	(15)	-	-	-	-	15	-
Share-based payments		-	-	-	-	-	2,778	2,778
Issue of warrants	29	-	(1,593)	7,239	-	-	-	5,646
Total transactions with owners		3,097	103,487	7,239	-	-	377	114,200
Balance at 28 February 2022 – as restated		3,097	103,487	7,239	14,860	669	(108,921)	20,431
Loss for the year		-	-	-	-	-	(33,646)	(33,646)
Other comprehensive income net of taxation:								
Foreign operations – foreign currency translation differences		-	-	-	-	(223)	-	(223)
Total comprehensive income/expense for the year		-	-	-	-	(223)	(33,646)	(33,869)
Transactions with owners in their capacity as owners:								
Share-based payments		-	-	-	-	-	303	303
Total transactions with owners		-	-	-	-	-	303	303
Balance at 28 February 2023		3,097	103,487	7,239	14,860	(446)	(142,264)	(13,135)

The notes on pages 67 to 99 are an integral part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 28 February 2023

	Note	Year ended 28 February 2023 £'000	Year ended 28 February 2022 Restated £'000
Loss for the period		(33,646)	(44,309)
<i>Adjustments for:</i>			
Taxation charge/(credit)	14	(228)	(1,606)
Finance costs	13	3,294	6,110
Finance income	12	(1)	(76)
Depreciation of property, plant and equipment and right-of-use assets	17, 18	8,369	6,310
Impairment of property, plant and equipment and right-of-use assets	17, 18	2,177	1,948
Amortisation of intangible assets	16	1,933	1,303
Impairment of intangible assets	16	3,388	13,000
Loss/(profit) on disposal of property, plant and equipment		-	(34)
Loss on disposal of intangible assets	16	62	-
Equity settled share-based payment expense		303	2,778
Issue of warrants	30	-	5,645
Provisions movement	27	1,565	2,228
<i>Movements in working capital:</i>			
Movement in inventories		(2,923)	(5,708)
Movement in receivables		1,814	(1,666)
Movement in payables		11,934	(3,764)
Cash used in operations		(1,959)	(17,841)
Income taxes received/(paid)		1,898	(890)
Net cash used in operating activities		(61)	(18,731)
Cash flows from investing activities			
Purchase of intangible assets		(1,018)	(3,066)
Purchase of property, plant and equipment		(7,496)	(4,968)
Proceeds on disposal of property, plant and equipment		-	-
Finance income		1	1
Payment of financial derivatives		-	(510)
Purchase of subsidiaries (net of cash acquired)		-	(6,630)
Net cash generated by/(used in) investing activities		(8,513)	(15,173)
Cash flows from financing activities			
Interest paid		(1,175)	(5,000)
Proceeds from borrowings		8,000	29,000
Proceeds from issue of shares, net of transaction costs		-	105,775
Repayment of debt instruments		-	(6,000)
Repayment of borrowings		-	(78,665)
Payment of lease liabilities(1)		(2,127)	(534)
Loan issue fees		-	(449)
Net cash generated by financing activities		4,698	44,127

Consolidated Statement of Cash Flows

For the year ended 28 February 2023

	Note	Year ended 28 February 2023 £'000	Year ended 28 February 2022 £'000
Cash and cash equivalents			
Net (decrease)/increase in the year		(3,876)	10,223
At 1 March		15,619	5,581
Effects of exchange rate changes on cash and cash equivalents		(699)	(185)
At 28 February		11,044	15,619

(1) Payment of lease liabilities includes £115k (2022: £45k) of interest payments and £2,012k (2022: £489k) of principal lease payments.

(2) The share based payment charge for the year is £303k (2022: £3,534k), of which £Nil (2022: £756k) was paid in cash.

The notes on pages 67 to 99 are an integral part of these financial statements.

Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION

Revolution Beauty Group plc ("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 201 Temple Chambers, 3-7 Temple Avenue, London, EC4Y 0DT.

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 3 to 4 and the Principal Risk and Uncertainties affecting the Group are set out on pages 21 to 25.

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.

Prior period adjustments made to the amounts reported in the Company's 2022 financial statements 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 achieved the lifting of the suspension of the Company's shares on AIM on 28 June 2023 and performed above the previous budget over recent months, the Group has updated its base case forecast for the period through to August 2024 to reflect all aspects of its current operational structure.

Following a comprehensive review and forecast exercise prior to the lifting of the share suspension on AIM, the updated base case forecast to August 2024 has evolved with the current FY24 performance to date, whilst largely consistent with expectations earlier in the year upon release of the FY22 Financial Statements. The current Board shares the more prudent outlook taken by the previous Board in May 2023, whilst also planning for growth in revenue and profitability. Immediately following the release of these Financial Statements the Board intend to appoint a new CEO, who will have time to develop and deliver a strategy intended to grow from the current base, this process is not expected to result in any significant change to plans or forecasts in the short term.

Management have determined that the period to August 2024 is the relevant period over which to consider the Groups performance for the assessment of going concern and have therefore forecast operational and financial performance over that period. Twelve months has been selected as the going concern period because forecasting over this period is the most accurate, the further out the forecast is the greater likelihood of volatility. The five months to 31 July 2023 have shown sales performing ahead of budget. The updated base case to August 2024 forecasts that the Group will generate cash as it builds sustainable growth from a solid core business, 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.

Cost reduction measures taken during FY23 have been adhered to and the Group has demonstrated during the early months of FY24 that it now has a more appropriate cost base from which it can achieve its forecast revenue. The significant accounting changes made in the prior year remain and form the basis of the Groups reporting and forecast model.

The Groups gross inventory balance has reduced significantly, resulting in a significant reduction in its inventory provision since FY22. Inventory reductions have been driven by a more rationalised purchasing program, which is more targeted to the Group's demand forecast. In addition, significant amounts of older inventory has been sold through the Groups outlet channels or destroyed where no longer considered to be of any value.

Under the base case scenario, the lowest amount of headroom against the minimum liquidity covenant is £4,632k in December 2023, the lowest test point in the EBITDA covenant is August 2023, when there is £3,211k of headroom.

Lending Arrangements

On 30 March 2023 the Group announced that that it had secured an amended facility agreement with its banking partners (the "Lenders"). 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 for the Going Concern period. The facility matures in October 2024, it is the board's intention and expectation that the facility will be refinanced during FY24. Indeed, following the lifting of the share suspension, initial discussions with the Group's banking partners have started positively. The Group continues to enjoy the support of its banking partners, management believe that recent progress in stabilising net debt, generating cash, ensuring covenant compliance and rationalising the cost base have positioned the Group well for refinancing its debt facilities, and is confident of refinancing beyond October 2024.

Revised covenants remain in place and include a minimum liquidity threshold of £5.0 million and an Adjusted EBITDA covenant. Certain non-financial covenants that applied following the amendments of the agreement were complied with and are no longer in place.

Adjusted EBITDA covenant is tested quarterly and the minimum liquidity threshold is tested weekly.

The remaining 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 lenders have provided a waiver in respect of the covenant relating to the Auditors qualifications in their audit report for these financial statements as was indicated in the FY22 financial statements.

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

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 payment, all of which are now payable beyond the Going Concern assessment 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 August 2023, driven by consumer demand in the beauty market caused by wider economic factors has been modelled. Under such circumstances the Group would need to 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 10% below the forecast levels in the base case from September 2023 onward and no mitigating actions were taken, the Group would breach its minimum liquidity threshold in February 2024. The Directors are confident that under such a scenario, there would be sufficient time for them to take actions within their control over the cost base 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, 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 continuing challenges the business has faced since its shares resumed trading on AIM, including addressing legacy issues, as well as 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 current Board continue to believe in this strategy and look to enhance the business further so that it is well placed to grow to deliver its full potential.

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 within their control to reduce 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, due to either a downturn in operational activity or the impact or timing of settlement of any financial commitments, known or otherwise, arising from legacy issues, 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 of their audit report on these financial statements. Notwithstanding that the audit for the year ending 28 February 2024 had not yet commenced, the Directors anticipate that certain qualifications will be carried into the Auditors opinion on the FY24 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 2024 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 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
Amendments to IAS 1 – Classification of liabilities as current or non-current	1 January 2023
Amendments to IAS 1 – Disclosure of accounting policies	1 January 2023
Amendments to IAS 8 – Definition of accounting estimates	1 January 2023
Amendments to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023

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 or operational costs 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 11 and 12 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 4.

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.

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.

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

Notes to the Consolidated Financial Statements (continued)

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.

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.

Provisions

Provisions are recognised when the company has a present (legal or constructive) obligation as a result of a past event, it is probable the company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Where the Group has contractual arrangements in place that are expected to result in reimbursement of liabilities for which a liability has been provided for, a reimbursement asset is separately recognised. Such assets are only recognised where the Group is virtually certain of that the reimbursement will be received. The resulting recognition within the profit and loss, is that the provision is recognised net of the reimbursement asset.

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 receivable 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.

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.

Notes to the Consolidated Financial Statements (continued)

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 remainder 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.

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.

Notes to the Consolidated Financial Statements (continued)

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.

Reimbursement Assets

Reimbursement assets are recognised when it is determined to be virtually certain that they will be recovered, in accordance with IAS 37. Judgment is required in making this determination prior to the receipt of cash flows, the Group considers strength and validity of contractual arrangement in place as well as the resources of the counterparty to any reimbursement. Where the contractual arrangements are considered secure, the counterparty has sufficient resources and there is no other plausible reason for the asset not to be recovered, the reimbursement is recognised.

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, which gives rise to the key source of estimation uncertainty.

The NRV provision is determined by assessing the latest sales price of a Stock Keeping Unit ("SKU"), less the cost of selling it, against the cost of purchasing 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 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 25% of the value of new SKUs launched in the 12 month period up to the reporting date.

The total provision at 28 February 2023 is £33.8m (2022: £39.8m). The calculation of the inventory provision as at 28 February 2023 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 £2.2m 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 15). 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 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 of legal provisions

The Group recognises a provision when it has a present liability for a past event, in accordance with IAS 37. With regard to legal claims, management consider the status of any claims and all legal advice available to determine that a liability exists. Where no agreement has been reached for the value of a claim with the claimant, estimation is required in assessing the quantum of the liability. Estimating the liability also involves consideration of all available advice from counsel, the legal stage of the claim, any offers for settlement which have been made and whether or not they have been accepted. The strength of the claims and the defence is also considered. Management consider that the assessment made in respect of legal claims provided for at the Balance Sheet date represent their best possible estimate of the expected liability using the available information.

Notes to the Consolidated Financial Statements (continued)

4 CORRECTION OF PRIOR YEAR ERRORS

The Directors have determined that a provision which was previously disclosed as a contingent liability should have been recognised as a provision during the year ended 28 February 2022, as the process of reaching a settlement of the case had reached a stage whereby it had been established that a material settlement was likely and a value could have been accurately estimated.

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 Directors have taken formal legal advice from specialist US intellectual property attorneys and engaged in a mediation process with the claimants. Based on that advice and the ongoing mediation process and settlement offers made to date, the Group believes that a liability of £4.3m should have been provided for at 28 February 2022.

In addition, it has been determined that reimbursement assets of £3.3m should have been recognized in respect of insurances and reimbursements the Group will received when a settlement is ultimately paid. The reimbursement assets recognised relate to an insurance policy and indemnities. £2.0m has been recognised in respect of the indemnities. Further detail relating to the indemnities has not been disclosed on the grounds that such disclosure is considered to be seriously prejudicial.

The impact on the Statement of Profit or Loss is a net charge in respect of legal case so £1,018k. In addition, £0.2m in legal costs were settled on behalf of the Group by its insurance during the year ended 28 February 2022. Deferred tax assets totalling £432k should have been recognised as a result, with a corresponding credit in the Statement of Profit or Loss.

In the prior year, disclosure of related party transactions with close family members of Key Management Personnel were omitted. These are now disclosed in Note 33.

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

Extract	Year ended 28 February 2022 Reported £'000	Adjustments £'000	Year ended 28 February 2022 Restated £'000
Provision for legal cases	-	(1,018)	(1,018)
Loss before taxation	(44,897)	(1,018)	(45,915)
Income tax charge credit	1,174	432	1,606
Loss for the period	(43,723)	(586)	(44,309)
Total comprehensive loss for the period	(43,565)	(586)	(44,151)
Earnings per share (p)	(15.5)	(0.2)	(15.7)
Diluted earnings per share (p)	(15.5)	(0.2)	(15.7)

Impact on the Statement of Financial Position

Extract	28 February 2022 Reported £'000	Adjustments £'000	28 February 2022 Restated £'000
Reimbursement Assets	-	3,267	3,267
Net non-current assets	22,202	3,267	25,469
Provisions (non-current)	(1,210)	(4,285)	(5,495)
Deferred tax liabilities	(432)	432	-
Net assets	21,017	(586)	20,431
Retained earnings	(108,335)	(586)	(108,921)
Total equity	21,017	(586)	20,431

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 2023 £'000	Year ended 28 February 2022 Restated £'000
Operating loss	(30,581)	(39,881)
Amortisation of intangible assets	1,933	1,303
Impairment of goodwill and other intangibles	3,388	13,000
Depreciation of property, plant and equipment and right-of-use assets	8,369	6,309
Impairment of property, plant and equipment and right-of-use assets	2,177	1,948
Loss of disposal of asset	62	-
Share-based payment expenses	303	3,534
Operating exceptional items:		
IPO related costs	-	8,936
Acquisition costs	262	621
Restructuring costs	1,310	261
Provision or settlement of legal cases	1,474	1,018
Exceptional legal fees	3,528	-
Exceptional audit fees	300	2,150
Adjusted EBITDA	(7,475)	(801)

Operating exceptional items

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), Rosenblatt (lawyers) and FRA (forensic accountants) on 23 September 2022. As a result of issue identified through this process, exceptional legal and professional fees were incurred at a cost of £3.5m (which includes £0.4m paid on behalf of two Directors). In addition, these concerns raised led to exceptional audit fees to be incurred above the level usually required for the Group's annual statutory audit at a further cost of £0.3m.

Further to the investigation outcomes a reorganisation of the Groups operations and processes, included the restructure of senior management positions. This reorganisation resulted in the Group incurring exceptional redundancy and professional cost of £1.3m.

In addition, the Group incurred £262k in further professional fees and inventory costs in connection with the acquisitions completed during 2022 which are considered to be outside the normal course of business:

- the acquisition of Medichem Manufacturing Ltd
- the purchase of asset from BH Cosmetics Inc.

The Group incurred legal and professional costs of £0.1m and £0.2m respectively, in the process of concluding the above-mentioned acquisitions, which are considered to be transaction related costs outside the normal course of business.

Notes to the Consolidated Financial Statements (continued)

During the current and prior year, the Group made provision of £1.0m in respect of a legal claim in respect of copyright infringement on music rights in the US., this amount had not been settled by the balance sheet date and is included within provisions. During the year, the Group reached a legal settlement of £0.3m related to a one off trademark dispute.

Prior period 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.
- the purchase of asset from BH Cosmetics Inc.

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 £0.3m.

As an outcome of the financial investigations' outcomes related to the financial year ended 28 February 2021, exceptional audit fees were incurred above the level usually required for the Group's annual statutory audit, at a cost of £2.2m.

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

	2023 £'000	2022 £'000
An analysis of the Group's revenue is as follows:		
Revenue analysed by class of business		
Digital	51,008	58,013
Store groups	136,834	126,566
	187,842	184,579
Revenue analysed by geographical market		
UK	66,974	71,456
United States of America	51,961	48,021
Rest of World	68,907	65,102
	187,842	184,579

The Group generated revenue from one individual customer that accounted for greater than 10% of total revenue in FY23 and FY22. Total revenue from that one customer was £19.6m (2022: £20.0m). 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.

8 EMPLOYEES

	Year ended 28 February 2023 £'000	Year ended 28 February 2022 £'000
An analysis of the Group's staff costs is as follows:		
Wages and salaries	17,774	14,076
Social security costs	2,292	1,378
Pension costs – defined contribution	323	226
Equity-settled share-based payments	303	3,534
Total employee benefit expense	20,692	19,214

Included in wages and salaries is an amount totalling £Nil (2022: £446k) relating to a staff bonus paid to staff in connection with the Group's listing on AIM during 2021, this was a one-off payment and as such has been included within operating exceptional items, as set out in note 4. Included in wages and salaries in the current year is £Nil (2022: £2k) 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, contributions totalling £4k (2022: £34k) were payable to the fund and are included within other creditors.

	Year ended 28 February 2023 £'000	Year ended 28 February 2022 £'000
Average number of staff		
Administration	279	228
Cost of sales	137	141
	416	369

9 DIRECTORS' REMUNERATION

	Year ended 28 February 2023 £'000	Year ended 28 February 2022 £'000
An analysis of the Group's directors' remuneration costs is as follows:		
Directors' remuneration excluding pension	1,659	994

Remuneration disclosed above includes the following amounts paid to the highest paid director:

	Year ended 28 February 2023 £'000	Year ended 28 February 2022 £'000
Directors' remuneration	468	343

Pension contributions of £550 (2022: £1,320) were made on behalf of one director during the year. Full details of Directors remuneration are set out on in the Remuneration Report on pages 40 to 43.

Notes to the Consolidated Financial Statements (continued)

10 OPERATING LOSS

	Year ended 28 February 2023 £'000	Year ended 28 February 2022 Restated £'000
The operating loss is arrived at after charging/(crediting):		
In-store marketing and stands	26,166	20,325
Warehousing and logistics	13,681	12,639
Freight out	7,817	8,709
Commissions payable	5,106	5,082
Net foreign exchange (gains)/losses	(321)	252
Government grants	–	(5)
Amortisation of intangible assets	1,933	1,303
Impairment of goodwill and other intangibles	3,388	13,000
Depreciation of property, plant and equipment – owned	6,548	5,394
Depreciation of property, plant and equipment – right-of-use assets	1,821	915
Impairment of property, plant and equipment – owned	1,811	1,948
Cost of stocks recognised as an expense	112,704	113,353
Provision utilised on cost of inventory	(5,898)	11,262
Share-based payment charge	303	3,534
Operating lease rentals		
– short-term leases	89	–
– low-value leases	18	4

11 AUDITORS REMUNERATION

	Year ended 28 February 2023 £'000	Year ended 28 February 2022 £'000
Fees payable to the Group's auditor and its associates:		
Audit of the financial statements	1,367	2,750
Subsidiary entity audit fees	150	150
All other non-audit services		
– Half year review	–	23
– Reporting accountant	–	410
– Tax advisory	–	129
	1,517	3,462

12 FINANCE INCOME

	2023 £'000	2022 £'000
Gain on movement of the fair value of financial derivatives	-	76
Interest receivable	1	-
	1	76

13 FINANCE COSTS

	2023 £'000	2022 £'000
Interest on bank overdrafts and loans	1,379	230
Series A and B loan notes	-	3,810
Interest on debt instruments	-	617
Other loans	-	548
Interest on lease liabilities	146	82
Other interest	1,769	823
	3,294	6,110

14 INCOME TAX CREDIT/EXPENSE

	2023 £'000	2022 Restated £'000
Current tax:	-	-
UK corporation tax on profits for the current period	-	204
Adjustments in respect of prior periods	7	(1,609)
	7	(1,405)
Foreign current tax on profits for the current period	(120)	201
Adjustments in respect of prior periods	(72)	(46)
Total current tax	(185)	(1,250)
Deferred tax		
Origination and reversal of timing differences	(180)	191
Previously unrecognised tax loss, tax credit or timing difference	137	(115)
Effect of restatement	-	(432)
Total deferred tax	(43)	(356)
Total income tax credit	(228)	(1,606)

Notes to the Consolidated Financial Statements (continued)

Factors affecting tax charge for the year

	2023 £'000	2022 Restated £'000
Loss before taxation	(33,874)	(45,915)
Expected tax credit based on the standard rate of corporation tax in the UK of 19%	(6,457)	(8,530)
Tax effect of expenses that are not deductible in determining taxable profit	184	5,319
Fixed Asset Differences	(200)	(202)
Adjustment in respect of prior years	(64)	(1,655)
Effect of overseas tax rates	(5)	116
Deferred tax adjustments in respect of prior years	137	(547)
Deferred tax assets not recognised	6,219	3,893
Effect of change in deferred tax rate	(42)	-
Total income tax credit	(228)	(1,606)

The Group has tax losses totalling £54,773k (2022: £28,913k) and other temporary differences of £24,182k (2022: £29,543k) 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 (2022: 25%).

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.

	2023 £'000	2022 Restated £'000
Loss attributable to shareholders	(33,646)	(44,309)
Adjustments:		
Weighted average number of shares	309,737,250	282,835,551
Basic earnings per share (p)	(10.9)	(15.7)
Total comprehensive expense attributable to the owners of the company	(33,646)	(44,309)
Weighted average number of shares	309,737,250	282,835,551
Dilutive effect of share options and warrants	-	-
Weighted average number of diluted shares	309,737,250	282,835,551
Diluted earnings per share (p)	(10.9)	(15.7)

Pursuant to IAS 33, options whose exercise price is higher than the average price of the Company's shares in the year 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.

16 INTANGIBLE ASSETS

	Goodwill £'000	Software £'000	Website costs £'000	Trademarks £'000	Intellectual property £'000	Acquired rights £'000	Total £'000
Cost:							
As at 1 March 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
Additions	–	679	–	113	226	–	1,018
Disposals	–	(466)	–	(37)	(591)	–	(1,095)
Exchange adjustments	450	(5)	–	–	(134)	–	311
As at 28 February 2023	18,253	2,269	1,757	547	2,817	1,163	26,806
Amortisation and impairment:							
As at 1 March 2021	–	673	877	154	366	503	2,573
Amortisation charge for the period	–	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
Amortisation charge for the year	–	632	294	101	406	500	1,933
Impairment charge	2,786	245	–	–	226	131	3,388
Disposals	–	(404)	–	(37)	(591)	–	(1,032)
Exchange adjustments	–	1	–	2	52	–	55
As at 28 February 2023	15,786	1,499	1,757	237	636	1,163	21,078
Carrying amount:							
As at 28 February 2022	4,803	1,036	294	300	2,773	631	9,837
As at 28 February 2023	2,467	770	–	310	2,181	–	5,728

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 £2,942k (2022: £5,220k), ROW £Nil (2022: £Nil), US £2,786k (2022: £4,617k).

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 £2,333k (2022: £2,017k) and Revolution Labs Ltd (formerly Medichem Ltd) of £2,786k (2022: £15,786k).

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 16.

At 28 February 2023, the recoverable amount of the Revolution Labs Ltd CGU was determined to be below the carrying amount, an impairment of £2.8m (2022: £13.0m) was recognised to impair the full goodwill balance. 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.

Notes to the Consolidated Financial Statements (continued)

Impairment reviews are sensitive to changes in key assumptions. Management 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 prepared a sensitivity analysis on the sales and production and calculated that an increase of 10% would have also resulted in a full impairment charge being required to goodwill.

17 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements £'000	Stands £'000	Office and Computer equipment £'000	Total £'000
Cost:				
As at 1 March 2021	465	36,696	511	37,672
Additions – business combinations	17	215	122	354
Additions	13	4,774	205	4,992
Disposals	–	(6,682)	(338)	(7,020)
Exchange adjustments	–	111	(1)	110
As at 28 February 2022	495	35,114	499	36,108
Additions	1	7,643	207	7,851
Disposals	–	(7,661)	(184)	(7,845)
Exchange adjustments	–	66	27	93
As at 28 February 2023	496	35,162	549	36,207
Depreciation and impairment:				
As at 1 March 2021	246	26,698	357	27,301
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
Charge for the year	103	6,251	194	6,548
Impairment charge	15	1,766	30	1,811
Disposals	–	(7,661)	(184)	(7,845)
Exchange adjustments	–	(130)	2	(128)
As at 28 February 2023	463	27,543	273	28,279
Carrying amount:				
As at 28 February 2022	150	7,797	268	8,215
As at 28 February 2023	33	7,619	276	7,928

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 Group's geographical market as follows: UK £3,380k (2022: £5,169k), ROW £1,720k, (2022: £2,337k), US £2,827k (2022: £710k).

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 2023 was 26% (2022: 12%), this is considered a key assumption for the impairment review and a movement of 2% in the WACC rate used would result in a £0.1m change to the impairment.

During the year, an impairment of stand assets of £1,766k (2022: £1,948k) was recognised. This impairment was driven by certain customers not reaching forecasted sales levels and related to eight UK customers and one US customer (2022: four UK customer and three US customers) where the value in use was assessed to be below the carrying value. One UK customer accounted for the majority of the impairment at £1,132k.

As disclosed in Note 15, management determined during the year that the recoverable amount of Medichem CGU was below its carrying value. This has resulted in an impairment of property plant and equipment of £171k.

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 £0.4m.

18 LEASES

	Land and Buildings £'000	Plant and machinery £'000	Other £'000	Total £'000
Right-of-use assets				
1 March 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
Additions	328	–	–	328
Disposals	–	–	–	–
Depreciation	(1,736)	(74)	(11)	(1,821)
Impairment charge	(366)	–	–	(366)
Exchange Adjustment	19	–	–	19
28 February 2023	2,187	79	44	2,310
Lease liabilities				
1 March 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
Additions	328	–	–	328
Disposals	–	–	–	–
Interest expense related to lease liabilities	140	4	2	146
Repayment of lease liabilities (including interest)	(2,040)	(72)	(15)	(2,127)
Exchange Adjustment	20	–	–	20
28 February 2023	2,881	91	42	3,014
Current	2,002	47	11	2,060
Non-current	879	44	31	954

Notes to the Consolidated Financial Statements (continued)

	2023 £'000	2022 £'000
Maturity analysis:		
Within 1 year	2,005	2,022
Between 1 and 5 years	1,105	2,676
Over 5 years	-	137
	3,110	4,835
Less unearned interest	(96)	(188)
Lease liability	3,014	4,647
Analysed as:		
Non-current	954	2,732
Current	2,060	1,915
	3,014	4,647

The carrying value of right-of-use assets in respect of the above lease liabilities is £2,678k (2022: £4,150k). Lease assets are located across the Group's geographical market as follows: UK £2,408k (2022: £4,143k), ROW £Nil (2022: £Nil), US £270k (2022: £Nil).

The Group's lease arrangements are in relation to property leases, plant and office equipment. The leases have termination dates ranging from 2023 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.

	2023 £'000	2022 £'000
Effects of leases on financial performance:		
Depreciation charge on right-of-use assets included within 'administrative expenses'	1,821	915
Interest expense on lease liabilities included within 'finance costs'	146	82
Expense relating to short-term leases included within 'administrative expenses'	89	-
Expense relating to low-value leases included within 'administrative expenses'	18	4
	2,074	1,001
Effects of leases on cash flows:		
Total cash outflow for right-of-use asset leases	(2,127)	(538)

The Group has leases in respect of printers which have been classified as low value in accordance with IFRS 16. In the year, the Group had three 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:

	2023 £'000	2022 £'000
Short-term lease commitment	5	-
Low-value lease commitment	1	-
	6	1

19 INVENTORIES

	2023 £'000	2022 £'000
Finished goods and goods for resale	47,606	44,683
Stock written down/(written back) during period	(5,986)	11,262

The total cost of inventories recognised as an expense in cost of sale in the year was £111,861k (2022: £113,353k). For further details on inventory valuation, key assumptions and sensitivities, see Note 3.

20 TRADE AND OTHER RECEIVABLES

	2023 £'000	2022 £'000
Current assets		
Trade receivables	50,715	47,611
Other receivables	452	4,209
Prepayments	1,541	3,514
	52,708	55,334

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 £2,151k (2022: £1,983k).

21 CASH AND CASH EQUIVALENTS

	2023 £'000	2022 £'000
Cash at bank and in hand	11,044	15,619

22 TRADE AND OTHER PAYABLES

	2023 £'000	2022 £'000
Trade payables	56,233	47,145
Other taxation and social security	826	2,556
Other payables	51	2,159
Accruals and contract liabilities	25,597	18,064
	82,707	69,924

Notes to the Consolidated Financial Statements (continued)

23 BORROWINGS

	2023 £'000	2022 £'000
Bank revolving credit facility	31,721	23,551
	31,721	23,551
Analysed as:		
Payable within one year	31,721	23,551

The balance is shown net of loan arrangement fees of £279k (2022: £449k). Interest is charged on the RCF based on the Sterling Overnight Index Average plus an applicable margin. The RCF has a maturity date of 19 October 2024 however the Group was in breach of the covenants due to its shares being suspended from trading, therefore the amount is presented within current liabilities.

On 29 March 2023, the Group agreed an amendment to the revolving credit facility (RCF) with its banking partners. The amendment included 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. 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. Interest accrues on the face value of the drawn down loan amount at Sterling Overnight Index Average (SONIA) plus 3.5% margin.

24 DEFERRED CONSIDERATION

	2023 £'000	2022 £'000
Current	10,910	4,889
Non-current	9,098	13,504

During the previous financial year, Revolution Beauty Holdings exercised its option to wholly acquire Revolution Beauty Labs (Formerly Medichem Ltd) which was previously 100% owned and controlled by a previous director and shareholder of Revolution Beauty Group Plc, with a deferred consideration of £20,500,000 to be paid evenly over a 4-year period, which accrues interest at 2.5% per annum. Total interest accrued on this consideration is £1,298,450.

On the 7th 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, which has been disclosed within Note 34.

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.

(b) Financial assets and liabilities

Financial assets and liabilities analysed by the categories were as follows:

	2023 £'000	2022 £'000
Financial assets at amortised cost:		
Trade and other receivables	51,167	51,820
Cash and cash equivalents	11,044	15,619
	62,211	67,439
Financial liabilities at amortised cost:		
Borrowings	31,721	23,551
Trade and other payables	81,881	67,368
Deferred consideration	20,008	18,393
Lease liabilities	3,014	4,647
	136,624	113,959

The carrying value of all financial instruments is not materially different from their fair value.

(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:

	2023 £'000	2022 £'000
Current trade and other receivables	51,167	51,820

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.

Notes to the Consolidated Financial Statements (continued)

(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 2023						
Borrowings	31,721	32,000	32,000	-	-	-
Trade payables	56,233	56,233	56,233	-	-	-
Accruals and other payables	25,648	25,648	25,648	-	-	-
Deferred consideration	20,008	21,798	11,163	5,382	5,253	-
Lease liabilities	3,014	2,918	2,005	394	519	-
Total	136,624	138,597	127,049	5,776	5,772	-

	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

(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.

lower/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 £3,200 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.

	2023 £'000	As at 28 February 2022 As Restated £'000
Cash and cash equivalents	11,044	15,619
Borrowings	(31,721)	(23,551)
Net debt	(20,677)	(7,932)
Total equity	(14,197)	19,999
	(34,874)	12,067

26 DEFERRED TAX

The deferred tax balances recognised in the consolidated statement of financial position are as follows:

	2023 £'000	2022 Restated £'000
Deferred tax (liability)/asset		
Accelerated capital allowances	(525)	(1,366)
Tax losses	1,126	2,030
Intangible fixed assets	(601)	(511)
Other timing differences	-	152
Net deferred tax liability	-	-

The net movement is explained as follows:

	2023 £'000	2022 £'000
Opening deferred tax liability	-	177
Charge/(credit) to profit or loss	(43)	76
Acquisition of subsidiary	-	167
Effects of exchange rate changes	43	11
Effect of restatement	-	(432)
Closing deferred tax liability	-	-

27 PROVISIONS

	Dilapidations £'000	Legal cases £'000	On Hold £'000	Total £'000
Opening Provision	100	4,285	1,110	5,495
Charge/(credit) to profit or loss	-	1,448	-	1,448
Reversal of unutilised amounts	-	-	(313)	(313)
Effects of exchange rate changes	-	430	-	430
Closing Provision	100	6,163	797	7,060

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.

Notes to the Consolidated Financial Statements (continued)

The on hold provision relates to charges expected in respect of 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.

The Directors have determined that a provision which was previously disclosed as a contingent liability should have been recognised as a provision during the year ended 28 February 2022, as the process of reaching a settlement of the case had reached a stage whereby it had been established that a material settlement was likely and a value could have been accurately estimated.

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 and engaged in a mediation process with the claimants. Based on that advice and the ongoing mediation process and settlement offers made to date, the Group believes that a liability of £4.3m should have been provided for at 28 February 2022. In addition, it has been determined that contingent assets of £3.3m should have been recognized in respect of insurances and reimbursements the Group will receive when a settlement is ultimately paid. This results in a total net additional liability of £1.0m and a charge to the consolidated statement of profit or Loss of £1.0m. Full details of the prior year adjustment recognised are set out in note 4.

In addition to the reimbursement asset recognised in respect of insurances and indemnities receivable against the liability for the claim, there are further contingent assets which have not been recognised. Whilst inflows are considered highly probable in respect of these remaining indemnities, they are not virtually certain and have therefore not been recognised as reimbursements. Further detail relating to the indemnities are not provided on the grounds that such disclosure would be considered seriously prejudicial.

The Group expects to agree and settle the claim within the next financial year.

Contingent Liabilities

General litigation – The Group is involved in various legal proceedings that are incidental to the conduct of the business. In the opinion of management, the amount of any liability with respect to these proceedings, either individually or in aggregate, will not have a material adverse effect on the Group's consolidated financial position, results of operations or cash flows.

28 SHARE-BASED PAYMENTS

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.

A reconciliation of equity-settled share-based payment schemes is presented below:

	Balance at the start of the year	Granted	Exercised	Forfeited	Balance at the end of the year
2023					
C share / Nominee scheme	2,398,308		(1,210,739)	(713,594)	473,975
New LTIP	1,902,190			(862,391)	1,039,799
Legacy LTIP	801,650			(49,867)	751,783
Additional LTIP	5,000,000			(5,000,000)	-
SIP	339,750			(27,000)	312,750
	10,441,898	-	(1,210,739)	(6,652,852)	2,578,307
Weighted average exercise price	£0.01	£-	£0.01	£0.01	£0.01

	Balance at the start of the year	Granted	Exercised	Forfeited	Effect of capital reorganisation	Balance at the end of the year
2022						
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	-	(153,917)	-	801,650
Additional LTIP	-	5,000,000	-	-	-	5,000,000
SIP	-	362,250	-	(22,500)	-	339,750
	1,292,828	8,896,332	(975,237)	(504,678)	1,732,653	10,441,898
Weighted average exercise price	£2.47	£0.01	£-	£0.01	£-	£0.01

The weighted average remaining contractual life of the Group's equity-settled share options outstanding at the reporting date was 1.0 years (2022: 3.9 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.

	Balance at the start of the year	Granted	Exercised	Forfeited	Other	Balance at the end of the year
2023						
Phantom SIP	31,500			(4,500)		27,000
Weighted average exercise price	-					

	Balance at the start of the year	Granted	Exercised	Forfeited	Other	Balance at the end of the year
2022						
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 1.5 years (2022: 2.5 years).

The expense recognised in the period for the share-based payment transactions was £306k for equity settled schemes and a £3k credit for cash settled schemes due to forfeitures (2022: £3,530k equity settled schemes and £4k for cash settled schemes).

Notes to the Consolidated Financial Statements (continued)

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	
	2023	2022
Share price at grant date	£1.60 – £1.63	£1.60 – £1.63
Exercise price	£nil – £0.01	£nil – £0.01
Expected option life	3 – 5 years	3 – 5 years
Expected volatility	50.0%	50.0%
Expected dividends	0.0%	0.0%
Discount rate	0.2%	0.2%
Weighted average fair value per option	£1.59	£1.59

29 SHARE CAPITAL

	2023 No. ('000)	2022 No. ('000)
Class of share		
Ordinary shares of 1p each	309,737	309,737
	309,737	309,737

	£'000	£'000
Class of share		
Ordinary share of 1p each	3,097	3,097
	3,097	3,097

There were no issuances of share capital during the year.

Ordinary share rights

Ordinary shares carry full voting rights and rights in respect of dividends and capital distributions (including on winding up).

During the prior 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 2022 £'000	Cash flows £'000	Non-cash movements £'000	As at 28 February 2023 £'000
Cash and cash equivalents	15,619	(3,876)	(699)	11,044
Borrowings	(23,551)	(8,000)	(170)	(31,721)
Lease liabilities	(4,647)	2,127	(494)	(3,014)
Net debt	(12,579)	(9,749)	(1,363)	(23,691)

	As at 1 March 2021 £'000	Cash flows As restated £'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)

	Year ended 28 February 2023 £'000	Year ended 28 February 2022 £'000
Amortised cost	(31,721)	(23,551)
Prepaid financing fees	(279)	(449)
Gross borrowings	(32,000)	(24,000)

Notes to the Consolidated Financial Statements (continued)

32 CAPITAL COMMITMENTS

	Year ended 28 February 2023 £'000	Year ended 28 February 2022 £'000
Amounts contracted for but not provided in the financial statements:		
Acquisition of tangible fixed assets	106	3,000

33 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 2023 £'000	Year ended 28 February 2022 £'000
Other related parties		
Sales	3	12
Purchases	-	11,928
Rent paid	236	140

The following amounts were outstanding at the reporting date:

	Year ended 28 February 2023 £'000	Year ended 28 February 2022 £'000
Other related parties		
Amounts due to related parties	1	-

Included within deferred consideration is a loan to Walbrook Investments Limited, a company under the control of T Allsworth, of £1,500k (2022: £1,500k). 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 former directors. During the period the company provided rental premises to the group for cash payments of £235k (2022: £140k). As at the period end there is a rent liability of £370k (2022: £592k) outstanding.

Astound Commerce Ltd, a company in which one of the former Non-Executive Directors is employed, sold services to the group for a total of £278k (2022: £449k), of which £23k (2022: £23k) remains outstanding in trade creditors as of the period end.

During the financial year, the Group employed a number of individuals which are considered close family members of the Directors, and paid salaries of £472k (2022: £407k).

The Group entered into the following transactions with boohoo Group Plc, an entity considered to have significant influence over the group.

	Year ended 28 February 2023 £'000	Year ended 28 February 2022 £'000
Other related parties		
Sales	987	647
Purchases	57	38

The receivable amount outstanding at the balance sheet date was £223k (2022: £305k).

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 8.

DIRECTORS' TRANSACTIONS

At 28 February 2023 the Directors owed £Nil (2022: £215k) to the Group in respect of excess interest paid during the period, these amounts were repaid during the year.

During the prior 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. An agreement was reached with the director to amend the terms of the deferred consideration, details of the amendment and outstanding liability are set out in note 24.

34 SUBSEQUENT EVENTS

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

On 30 March 2023 the Group announced that 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. Revised covenants remain in place and include a minimum liquidity threshold of £5.0 million and an Adjusted EBITDA covenant. Certain non-financial covenants that applied following the amendments of the agreement were complied with and are no longer in place.

On 28 June 2023 on the lifting of the Company's share suspension from AIM, 5,684,210 nominal cost options were awarded to Bob Holt and 2,842,105 nominal cost options were awarded to Elizabeth Lake. On the 19 July 2023, Bob Holt and Elizabeth Lake, both respectively exercised their combined 8,526,315 nominal cost options of £0.01 in the capital of the Company.

35 ULTIMATE CONTROLLING PARTY

The Directors do not consider there to be one ultimate controlling party.

Subsequent to the reporting date, three directors have been appointed on the instigation of boohoo Group Plc, an entity considered to have significant influence over the Group by virtue of its shareholding.

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

Qualified Opinion on the Company 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 financial statements give a true and fair view of the state of the Parent Company's affairs as at 28 February 2023;
- the financial statements have been properly prepared in accordance with the United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Revolution Beauty Group Plc ("the Company") for the year ended 28 February 2023 which comprise the Company Statement of Financial Position, the Company Statement of Changes in Equity, and the Notes to the Company 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 qualified opinion

In respect of the year ended 28 February 2022, Revolution Beauty Group Plc had loans receivable of £142m from subsidiary undertakings at the year-end before recognising expected credit losses of £97.6m resulting in a carrying value of £44.2m. Under IFRS 9 – Financial Instruments, entities are required to recognise expected credit losses for all financial assets held at amortised cost, including intercompany loans receivable. The recoverability of these financial assets is reliant on the future cashflows of those subsidiaries and the Board had accordingly prepared their assessment for recoverability based on forecast future cash flows which resulted in an expected credit loss of £97.6m on the intercompany loans receivable as at 28 February 2022.

The forecasts used to derive the expected credit loss should be based on conditions prevailing as at each balance sheet date. Due to significant changes to senior management and the executive Board, Management were unable to provide forecasts that would have existed as at 28 February 2022. We therefore were unable to obtain sufficient appropriate audit evidence that the expected credit loss calculations provided in respect of the prior period income statement and the resultant carrying value as at 28 February 2022, were prepared on a reasonable and informed basis and therefore were unable to conclude that the carrying value of the financial asset as at that date was free from material misstatement. As a result, we did not express an opinion on the Company financial statements for the year ended 28 February 2022.

Our opinion on the financial statements for the year ended 28 February 2023 is modified because we have been unable to determine whether there was any consequential effect of this disclaimer of opinion on the figures included in the Company Statement of Changes in Equity, and related notes to the financial statements, in respect of the year ended 28 February 2023.

During the course of our audit for the year ended 28 February 2023, we also identified a number of additional matters where we were unable to obtain sufficient appropriate audit evidence and which result in a qualified opinion on the Company financial statements.

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 prior year to 28 February 2022 and which may have had an impact also on the financial statements for the year ended 28 February 2023. We communicated to the Board of Directors 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. 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 that they have fully investigated these matters and have not identified any further 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 2023, 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 33 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 33 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 was 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.

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

Our opinion on the financial statements for the year ended 28 February 2023 is further modified because of the possible effect of all of these matters set out above on the comparability of the current period's figures and the corresponding figures. In addition, were any adjustments to be required to any of the balances impacted, the strategic report and the directors report would also need to be amended.

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

Independence

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

Material uncertainty related to going concern

We draw attention to the matters set out in note 2 to the Company financial statements, where the Directors indicate the following:

- 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 previously issued a waiver in respect of this clause relating to the year ended 28 February 2022 and have issued a further waiver in respect of this clause relating to the financial statements for the year ended 28 February 2023. The Lenders have confirmed their present intention to issue a similar waiver relating to the financial statements for the year ending 28 February 2024 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 2023. In the event that such a waiver is not forthcoming the Company would be in breach of the amended facility agreement; and
- if the Group was unable to achieve its forecasts, due to either a downturn in operational activity or the impact or timing of settlement of any financial commitments, known or otherwise, arising from legacy issues, 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 Company is reliant on the support of its Lenders to waive any or all of the above breaches of the facility or the Company would need to seek alternative sources of funding to repay all amounts due under the amended facility agreement and provide the Company with sufficient ongoing finance to continue as a going concern.

As stated in note 2 to the Company financial statements, these events or conditions, along with other matters as set out in note 2 to the Company financial statements, 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. Our opinion is not modified in respect of this matter.

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 Company's revised covenant terms included in the amended facility agreement to gain evidence that the scenarios modelled had appropriately considered these revised covenant terms;

Independent Auditor's report to the members of Revolution Beauty Group Plc (continued)

- 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 Company financial statements as opposed to the going concern basis not being appropriate and the Company financial statements being required to be prepared on an alternative basis; and
- we considered the adequacy of the disclosures in the Company 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 Company financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the Company 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.

An overview of the scope of our audit

Our audit of the Company financial statements was scoped by obtaining an understanding of the Company and its environment, including the Company'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. We performed a full scope audit on the Company financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Company 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 Company 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 matter described below to be an additional key audit matter to be communicated in our report. This is not a complete list of all risks identified by our audit.

Key audit matter	How the scope of our audit addressed the key audit matter	
<p>Revolution Beauty Group Plc (Parent Company) Loans Receivable from subsidiaries</p> <p>£14.5m (2021: £44.2m) carrying value of parent company loan receivable as at 28th February 2023 after recognizing expected credit loss of £39.9m (2021: 97.6).</p> <p>Note 2 of the company financial statements sets out the accounting policy for initial recognition and subsequent assessment of expected credit losses on the above financial assets.</p>	<p>Revolution Beauty Group Plc has Loans receivable of £152m from subsidiary undertakings as at 28th February 2023 before recognizing expected credit losses.</p> <p>In the absence of contractual agreements between the parties these loans are treated as loans payable on demand by the subsidiary undertakings with 0% effective interest rate.</p> <p>IFRS 9 requires entities 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 of Directors have accordingly prepared their assessment for recoverability based on forecast future cash flows for the period out to the end of the banking facility term which is October 2024. These forecasts have resulted in an expected credit loss of £39.9m on the intercompany loans receivable as at 28th February 2023.</p> <p>The Directors are required to present disclosures in a manner that helps users of financial statements to understand the judgements that directors make about the future and about other sources of estimation uncertainty. Due to the degree of estimation uncertainty inherent in this assessment this was considered to be a key audit matter.</p>	<p>We assessed the accuracy of the forecast models used to determine anticipated future cash flows in the Directors' recoverability assessment. To do this we challenged management on the underlying assumptions, including the growth rates applied to future months and whether such plans align with expectations within the wider retail industry as adjusted for the Group's specific circumstances.</p> <p>Management prepared three different scenarios and weighted the probable outcome of each scenario. We assessed Management's expectations applied to each scenario to consider how actual results that may differ from forecast results could impact the asset's carrying value. We assessed whether the disclosures in the financial statements detail the key judgements within the recoverability assessment and sources of estimation uncertainty</p> <p>We challenged management on their ability to generate reasonable cash flow forecasts in line with the circumstances prevailing as of 28th Feb 2023 by performing a comparison to performance in recent months compared to previous cashflows set and we also considered the material uncertainties that are inherent in the performance of the business, particularly at 28th February 2023.</p> <p>We reviewed the Company financial statements to assess whether the disclosures in the Company financial statements appropriately reflect the key judgements within the expected credit loss calculation and sources of estimation uncertainty.</p> <p>Key observations:</p> <p>We are satisfied that the judgements made by management in the determination of expected credit loss on intercompany receivable are reasonable.</p>

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 Company 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 Company financial statements as a whole.

Independent Auditor's report to the members of Revolution Beauty Group Plc (continued)

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

	2023	2022
Materiality	£651,000	£630,000
Basis for determining materiality	5% of Loss before tax (capped at 70% of Group materiality)	1.5% of Total assets (capped at 70% of Group materiality)
Rationale for the benchmark applied	For our 2023 audit the benchmark used was the loss before tax which was a change from the 2022 audit when Total Assets was used. In FY22 the inter-company receivable represented a majority of the Total Assets and we concluded that it was the appropriate benchmark to determine materiality last year, but in FY23, the impairment of the inter-company receivable and the significant costs incurred relating to the investigation led us to conclude that loss before tax was the most appropriate benchmark to determine materiality this year.	
Performance materiality	£358,000	£378,000
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 Company's internal controls and management's attitude towards proposed adjustments.	

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £19,530 (2022: £18,900). 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 and Company financial statements and our auditor's reports thereon. Our qualified opinion on the Company 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 Company 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 Company 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 for the year ended 28 February 2023 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.

<p>Strategic Report and Directors' report</p>	<p>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:</p> <ul style="list-style-type: none"> the information given in the Strategic Report and the Directors' report for the financial year for which the Company 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. <p>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 Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' report.</p>
<p>Matters on which we are required to report by exception</p>	<p>Arising from the limitation on the scope of our work as set out in the "Basis of the qualified opinion" section above:</p> <ul style="list-style-type: none"> 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 were unable to determine whether certain disclosures of directors' remuneration specified by law have been made and are complete. <p>We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:</p> <ul style="list-style-type: none"> 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 Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the Company 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 Company 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 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.

Independent Auditor's report to the members of Revolution Beauty Group Plc (continued)

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.

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 qualified 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 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.

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 qualified opinion section of our report.

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

Other matter

We have reported separately on the Group financial statements of Revolution Beauty Group Plc for the year ended 28 February 2023. 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

31 August 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 2023

	Note	2023 £'000	2022 £'000
ASSETS			
Non-current assets			
Investments	4	-	-
Other receivables	5	14,543	44,202
Total non-current assets		14,543	44,202
Current assets			
Other receivables	5	354	603
Cash and cash equivalents	6	648	7,263
Total current assets		1,002	7,866
Current liabilities			
Trade and other payables	7	(6,079)	(896)
Borrowings	8	(31,721)	(23,551)
Total current liabilities		(37,800)	(24,447)
Net current assets/(liabilities)		(36,798)	(16,581)
Total assets less current liabilities		(22,255)	27,621
Net assets		(22,255)	27,621
Equity			
	9		
Share capital		3,097	3,097
Share premium		103,487	103,487
Share-based payment reserve		4,712	4,409
Warrant reserve		7,239	7,239
Retained earnings		(140,790)	(90,611)
Total (deficit)/equity		(22,255)	27,621

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 £50,179k (2022: £89,172k). The notes on pages 109 to 115 are an integral part of these financial statements.

These financial statements were approved and authorised for issue by the Board of Directors on 31 August 2023 and were signed on its behalf by:



Alistair McGeorge
Director

Company Statement of Changes in Equity

For the year ended 28 February 2023

	Share capital £'000	Share premium £'000	Share-based payment reserve £'000	Warrant reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 March 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
Loss for the year	-	-	-	-	(50,179)	(50,179)
Total comprehensive income for the period	-	-	-	-	(50,179)	(50,179)
Transactions with owners in their capacity as owners:						
Share-based payments	-	-	303	-	-	303
Balance at 28 February 2023	3,097	103,487	4,712	7,239	(140,790)	(22,255)

Notes to the Company

Financial Statements

1 GENERAL INFORMATION

Revolution Beauty Group plc ("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 201 Temple Chambers, 3-7 Temple Avenue, London, EC4Y 0DT.

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).

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.

Going concern

Base Case Forecast

Having achieved the lifting of the suspension of the Company's shares on AIM on 28 June 2023 and performed above the previous budget over recent months, the Group has updated its base case forecast for the period through to August 2024 to reflect all aspects of its current operational structure.

Following a comprehensive review and forecast exercise prior to the lifting of the share suspension on AIM, the updated base case forecast to August 2024 has evolved with the current FY24 performance to date, whilst largely consistent with expectations earlier in the year upon release of the FY22 Financial Statements. The current Board shares the more prudent outlook taken by the previous Board in May 2023, whilst also planning for growth in revenue and profitability. Immediately following the release of these Financial Statements the Board intend

Notes to the Company

Financial Statements (continued)

to appoint a new CEO, who will have time to develop and deliver a strategy intended to grow from the current base, this process is not expected to result in any significant change to plans or forecasts in the short term.

Management have determined that the period to August 2024 is the relevant period over which to consider the Groups performance for the assessment of going concern and have therefore forecast operational and financial performance over that period. Twelve months has been selected as the going concern period because forecasting over this period is the most accurate, the further out the forecast is the greater likelihood of volatility. The five months to 31 July 2023 have shown sales performing ahead of budget. The updated base case to August 2024 forecasts that the Group will generate cash as it builds sustainable growth from a solid core business, 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.

Cost reduction measures taken during FY23 have been adhered to and the Group has demonstrated during the early months of FY24 that it now has a more appropriate cost base from which it can achieve its forecast revenue. The significant accounting changes made in the prior year remain and form the basis of the Groups reporting and forecast model.

The Groups gross inventory balance has reduced significantly, resulting in a significant reduction in its inventory provision since FY22. Inventory reductions have been driven by a more rationalised purchasing program, which is more targeted to the Group's demand forecast. In addition, significant amounts of older inventory has been sold through the Groups outlet channels or destroyed where no longer considered to be of any value.

Under the base case scenario, the lowest amount of headroom against the minimum liquidity covenant is £4,632k in December 2023, the lowest test point in the EBITDA covenant is August 2023, when there is £3,211k of headroom.

Lending Arrangements

On 30 March 2023 the Group announced that it had secured an amended facility agreement with its banking partners (the "Lenders"). 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 for the Going Concern period. The facility matures in October 2024, it is the board's intention and expectation that the facility will be refinanced during FY24. Indeed, following the lifting of the share suspension, initial discussions with the Group's banking partners have started positively. The Group continues to enjoy the support of its banking partners, management believe that recent progress in stabilising net debt, generating cash, ensuring covenant compliance and rationalising the cost base have positioned the Group well for refinancing its debt facilities, and is confident of refinancing beyond October 2024.

Revised covenants remain in place and include a minimum liquidity threshold of £5.0 million and an Adjusted EBITDA covenant. Certain non-financial covenants that applied following the amendments of the agreement were complied with and are no longer in place.

Adjusted EBITDA covenant is tested quarterly and the minimum liquidity threshold is tested weekly.

The remaining 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 lenders have provided a waiver in respect of the covenant relating to the Auditors qualifications in their audit report for these financial statements as was indicated in the FY22 financial statements.

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

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 payment, all of which are now payable beyond the Going Concern assessment 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 August 2023, driven by consumer demand in the beauty market caused by wider economic factors has been modelled. Under such circumstances the Group would need to 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 10% below the forecast levels in the base case from September 2023 onward and no mitigating actions were taken, the Group would breach its minimum liquidity threshold in February 2024. The Directors are confident that under such a scenario, there would be sufficient time for them to take actions within their control over the cost base 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, 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 continuing challenges the business has faced since its shares resumed trading on AIM, including addressing legacy issues, as well as 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 current Board continue to believe in this strategy and look to enhance the business further so that it is well placed to grow to deliver its full potential.

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 within their control to reduce 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, due to either a downturn in operational activity or the impact or timing of settlement of any financial commitments, known or otherwise, arising from legacy issues, 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 of their audit report on these financial statements. Notwithstanding that the audit for the year ending 28 February 2024 had not yet commenced, the Directors anticipate that certain qualifications will be carried into the Auditors opinion on the FY24 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 2024 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 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.

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.

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.

Notes to the Company

Financial Statements (continued)

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

Average number of staff	2023 Number	2022 Number
Administration	4	4
Cost of sales	-	-
	4	4

Staff costs of £1,410k (2022: £749k) for the employees were borne by a subsidiary and recharged to the company.

4 INVESTMENTS

Company	Total £'000
Cost or valuation:	
As at 1 March 2021	1,684
Additions	3,686
Impairment	(5,370)
As at 28 February 2022	-
Additions	-
As at 28 February 2023	-
Carrying amount:	
As at 28 February 2022	-
As at 28 February 2023	-

Notes to the Company

Financial Statements (continued)

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	One Advisory Limited, 201 Temple Chambers, 3-7 Temple Avenue, London, EC4Y 0DT	100%
Revolution Beauty Limited	Wholesale and retail of beauty products	One Advisory Limited, 201 Temple Chambers, 3-7 Temple Avenue, London, EC4Y 0DT	100%*
Revolution Beauty UK Holdco Limited	Holding company	One Advisory Limited, 201 Temple Chambers, 3-7 Temple Avenue, London, EC4Y 0DT	100%*
Revolution Beauty Inc	Wholesale and retail of beauty products	3149 MacArthur Blvd, Northbrook, IL – 60062 USA	100%*
Revolution Beauty Nominees Limited	Dormant	One Advisory Limited, 201 Temple Chambers, 3-7 Temple Avenue, London, EC4Y 0DT	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	Intertrust New Zealand Level 1, 33 Federal Street, Auckland, New Zealand	100%*
Revolution Beauty Labs Ltd	Developing and producing beauty products	One Advisory Limited, 201 Temple Chambers, 3-7 Temple Avenue, London, EC4Y 0DT	100%*
Influencer Overnight Limited	Marketing	2-3 Sheet Glass Road, Cullet Drive, Queenborough, Kent, ME11 5JS	50%*

*Held indirectly

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 2028.

These cash flows are adjusted to take into account the repayment of borrowings at 28 February 2023. These cash flows have been discounted at the Group's weighted average cost of capital of 20%. Based on management's assessment, as at 28 February 2023, the recoverable amount of the Company's investment was less than its carrying value, the investments were fully impaired the prior year and no reversal of impairment was determined to be required.

5 OTHER RECEIVABLES

	2023 £'000	2022 £'000
Amounts owed by Group undertakings – non-current	14,543	44,202
Other receivables – current	258	68
Prepayments – current	96	535
	14,897	44,805

Amounts owed by group undertakings incur interest at 0% and are repayable on demand. The Company has a receivable of £151.1m (2022: £152.0m) from subsidiary undertakings as at 28 February 2023. The Company has considered if these loan receivables are impaired and has recognised an expected credit loss charge of £39,852k (2022: £97,584k) against amounts due from subsidiary undertakings during the current financial year.

6 CASH AND CASH EQUIVALENTS

	2023 £'000	2022 £'000
Cash at bank and in hand	648	7,263

7 TRADE AND OTHER PAYABLES

	2023 £'000	2022 £'000
Trade payables	2,197	505
Amounts owed to group undertakings	-	-
Accruals	3,882	391
	6,079	896

Amounts due to group undertakings are unsecured, interest free and repayable on demand.

8 BORROWINGS

	2023 £'000	2022 £'000
Revolving credit facility	31,721	23,551
	31,721	23,551
Payable after one year	31,721	23,551
Payable within one year	-	-
	31,721	23,551

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.

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 3 of the consolidated financial statements.

13 SUBSEQUENT EVENTS

See note 34 to the Consolidated Financial Statements.

Company Information

Revolution Beauty Group plc

Corporate headquarters:

Kings Place
90 York Way
London
N1 9AG

Consumer Site: revolutionbeauty.com Company Site: revolutionbeautyplc.com

Registered address: 2-3 Sheet Glass Road Cullet Drive Queenborough
ME11 5JS
United Kingdom

Design and Production by Black&Callow Printed on FSC® mix source papers

Revolution Beauty Group plc

Corporate headquarters:

Kings Place

90 York Way

London

N1 9AG

Consumer Site: revolutionbeauty.com

Company Site: revolutionbeautyplc.com

Registered address:

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3-7 Temple Avenue

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