

Company Registration No. 09915831 (England and Wales)

REVOLUTION BEAUTY LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED
28 FEBRUARY 2021



REVOLUTION BEAUTY LIMITED

COMPANY INFORMATION

Directors	T D Allsworth A N Minto
Company number	09915831
Registered office	2-3 Sheet Glass Road Cullet Drive Queenborough Kent ME11 5JS
Auditor	BDO LLP 2 City Place Beehive Ring Road Gatwick West Sussex RH6 0PA

REVOLUTION BEAUTY LIMITED

STRATEGIC REPORT

FOR THE PERIOD ENDED 28 FEBRUARY 2021

The directors present the strategic report for the period ended 28 February 2021.

Fair review of the business

	2021	2019 (Restated)
	£'M	£'M
Turnover	131.1	120.3
PBT	(26.2)	(9.3)

The board of directors monitor the effectiveness of the company's operations by considering various key performance indicators. The main indicators are the growth in turnover and profit before tax.

FY21 results are for the 14 months ended February 2021. FY19 results are for the 12 months ended December 2019. The reason for the change in the company's reporting date is to better reflect trading seasonality.

In FY21, the company's turnover increased to £131.1 million (2019: £120.3 million). Although FY21 represents 14 months trade, underlying performance in the face of all of the headwinds presented by Covid was resilient, and was achieved by a pivot towards digital sales, both on our own website and with our digital retailers.

During FY21 the company continued to focus on its core brands (Makeup Revolution London, RevolutionPRO, I Heart Revolution and Obsession Makeup London), whilst also launching a new brand (Revolution XX). There was also increased focus on skincare and refreshing our haircare range, which was relaunched in Q1 2021.

Profit before tax decreased to a loss of £26.2 million (2019: a loss of £9.3 million). Although we saw an increase in digital sales, we had already committed to in store marketing and overheads investments in Q1 FY21 prior to Covid lockdowns. As a result of these cost commitments, as well as a number of one off costs, caused the increased loss.

The company Statement of Financial Position shows a decreased net liabilities position of £30.2 million (2019: net liabilities of £4.7 million). This mainly reflects the loss incurred in the year as discussed above.

Net current assets have decreased to £1.9 million (2019: net assets of £21.1 million), mainly due to increase in amounts owed to group undertakings of £18.5 million and cash has decreased by £2.9 million in the year.

Future developments

The company operates in a highly competitive market place, but prospects remain positive. We continue to invest in distribution with new partners, expand distribution with existing partners, and to grow on our own website.

Subsequent events

In July 2021 Revolution Beauty Group Limited, the ultimate parent company, completed an Initial Public Offering on the London Stock Exchange.

In October 2021 Revolution Beauty Group Limited, agreed a new revolving credit facility of £40,000,000 with HSBC and Natwest, of which the Company is a guarantor.

Principal risks and uncertainties

The Company's overall risk management policies seek to minimise potential adverse effects on the Company's financial performance. The Company's Directors are responsible for overseeing capital resources and maintaining efficient capital flow, together with managing the Company's cash flow risk, foreign exchange risk, credit risk and liquidity risk. Further details regarding these policies are set out below.

REVOLUTION BEAUTY LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE PERIOD ENDED 28 FEBRUARY 2021

Cash flow risk

Within the company there is minimal exposure. Inter-company payment terms are agreed to enable the group to generate sufficient cash flow to fulfil its obligations.

Foreign exchange risk

The foreign exchange risk is mitigated by closely monitoring foreign exchange movements, having natural hedges with the group's US operations, and having appropriate terms with non-GBP denominated suppliers. We also enter into foreign exchange derivatives to further mitigate risk.

Credit risk

The company's financial assets are bank balances, cash and trade debtors. The company's credit risk is primarily attributable to its trade debtors, and the amounts presented in the balance sheet are net of allowances for doubtful debtors. Credit risk is mitigated by balances being spread over a number of customers and credit control policies. The intercompany debtor's risk is regarding the recoverability of the balances, but this risk is mitigated by all the intercompany being deemed going concerns and supported by the parent entity if required.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for on-going operations and future developments, the company

Section 172 of the UK Companies Act 2006

Company directors are required to act in good faith, to promote the long-term success of the company for the benefit of its stakeholders. As a Board, the Directors remain mindful of the significance of matters under their consideration from the point of view of materiality to stakeholders. Section 172(1) of the Companies Act 2006 requires that businesses and their Directors report on their duty to promote the success of the company with regard to the following matters:

A) Long-term sustainability

The long-term sustainability of the Company is at the forefront of decision-making, particularly in response to the rapid challenges seen since the year-end and the Coronavirus pandemic. We have continued to invest in our facilities, systems and teams. Our lenders have demonstrated continued financial support allowing confidence to continue growing and investing across the business.

B) Interests of the Company's Employees

The Company communicates with employees actively by way of regular update calls with the senior leaders and the whole global organisation. The Group has put in place an employee handbook and policies to ensure that employee best interests continue to be an integral part of our decision making.

C) Fostering relationships with Stakeholders, Suppliers and Customers

Our key stakeholders are our Banks, Suppliers and, most importantly, our Customers. There is regular communication with Shareholders to discuss business performance, market factors and plans for future growth. Our Lenders receive regular and timely management information and are kept updated with all major strategic initiatives. We are in constant contact with our Suppliers and Retailers, including hosting a virtual annual conference covering category specific news and updates. And we engage with our Customers in real time through our various social media channels, to better understand their needs and how we can improve our products and service.

D) Community and environment

The Company's Directors take all reasonable steps to minimise any detrimental impact the Company's operations may have on the environment, including reducing packaging and increasing the use of recycled and recyclable materials. The Company also supports a range of charitable and community activity, based on customer and employee input.

REVOLUTION BEAUTY LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE PERIOD ENDED 28 FEBRUARY 2021

E) Maintenance of high standards of business conduct

The Company aims to conduct all its business relationships with integrity, locally, nationally and internationally. The Company works closely with suppliers to ensure full compliance with all legislation, focusing on long term mutual success. We strive to be an exemplary business, mindful that there are always opportunities to improve.

F) The Need to Act Fairly between members of the Company

The Directors continue to pursue what they believe is the most prudent long term investment strategy that balances growth fairly between all stakeholders. It is the view of the Directors that they continue to run the business in the best long-term interest of all relevant stakeholders.

Key decisions made by board in the year

Key decisions made by the board during the year included increasing our distribution, and therefore our brand presence, by entering into new retailer relationships and expanding our digital presence through new partnerships. When this decision was made, maintaining our relationship with our existing customers was especially important, as was our suppliers' ability to increase production.

Following Covid lockdowns, key decisions focused on how to best manage cash and liquidity, including our decision to furlough staff, asking non furloughed staff to take a voluntary 20% pay reduction, and negotiating an increase in banking facilities with both new lenders.

Finally, we made a decision to terminate the contract of our German distributor, thus enabling us to deal directly with German retailers.

When making these decisions, our priority was ensuring the long term future of the Company, which is obviously in the best interests of all the stakeholders.

Covid-19 Update

During the Covid-19 pandemic, we have been keeping our staff, suppliers, retailers, investors and lenders updated on our actions.

Revenue was heavily impacted in Q2 and Q3, particularly in Q2, when much of our global store estate was closed. However, the impact of this was partly mitigated by a significant shift in customer shopping patterns to online. Another trend that is industry wide, is that we sold a higher mix of skincare and haircare products during lockdown.

We furloughed one third of our staff in April and May 2020, with furloughed staff gradually returning to work thereafter. All staff were back in role by the end of August. Working staff took a voluntary 20% pay cut in April and May 2020. Our IT have ensured that all head office staff can effectively work from home, and our warehouses and 3PL partners have worked tirelessly to deliver orders.

Brexit Update

Our plans for Brexit were well executed. The majority of our European sales are delivered via Calais. We already have VAT registrations across much of mainland Europe. We put in place:

1. A French EORI (Economic Operators Registration & Identification) number, effective from 1 January 2021
2. Appointed a French based VAT provider with sufficient local technical capability to ensure a smooth transition in VAT filing and meeting of French VAT obligations
3. Appointment of an alternative Fiscal Representative in Belgium to provide for an alternate shipping route to Ostend or Zeebrugge, should Calais prove problematic or unfeasible

REVOLUTION BEAUTY LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE PERIOD ENDED 28 FEBRUARY 2021

Although we experienced some delivery challenges in the first eight weeks of the year, the situation has markedly improved since the start of March, and we continue to monitor the situation closely. We have received confirmation of our registration in Belgium for the One Stop Shop scheme, which will be effective from July 1st.

Going concern

In preparing the financial statements the directors are required to assess the Company's ability to continue to trade as a going concern for the foreseeable future.

As outlined above, the directors are managing through the challenges created by the Covid-19 pandemic. When partners' retail stores reopened in the summer, customer flow and sales continued to build steadily, which gives us cautious optimism now they have reopened. Whilst the potential for further disruption remains, including the possibility of delayed reopening or further periods of lockdown, experience shows that any reduction in partners' retail store sales will be partly offset by an increase in revenue on our own website and with our digital partners, coupled with levers available to reduce costs and preserve cash.

The company has made a loss of £26.2m and has increased net liabilities of £30.2m. The Company is funded via intragroup loans from the parent company, following the parent company listing on AIM in July 2021 and securing of a £40m revolving credit facility in October 2021. In the event that the Company requires additional financial support, the directors of the parent company Revolution Beauty Group Plc would be prepared to provide additional funding to the company for a period of not less than 12 months from the date of signing these financial statements. The directors of the Company have assessed the ability of the parent company to provide this support, as summarised below, and are satisfied they are capable of doing so and have in turn received a commitment from Revolution Beauty Group Plc of its support.

The duration and severity of Covid-19 remains unknown so the Group's directors have prepared detailed cash flow forecasts and undertaken further scenario modelling. In undertaking their going concern review, the Group's directors have given due consideration to the Group's trading and mitigating actions taken through the previous and current Covid-19 disruption, together with forward-looking projections to the end of December 2022, which covers the Group's next twelve months in full. The operating plans and financial forecasts that have been modelled as the business emerges from the pandemic indicate that the Group has sufficient cash headroom to meet its liabilities as they fall due.

It is on this basis, that the directors consider that the Company will be a going concern for a period of at least 12 months from the date of approval of these financial statements and they have therefore prepared the financial statements on a going concern basis.

On behalf of the board



T D Allsworth
Director

Date: 9/12/21

REVOLUTION BEAUTY LIMITED

DIRECTORS' REPORT

FOR THE PERIOD ENDED 28 FEBRUARY 2021

The directors present their annual report and financial statements for the period ended 28 February 2021. During the period, the company extended its year end from 31 December to 28 February.

Principal activities

The company sells and distributes beauty products, makeup, haircare and skincare under a variety of brands. The products are distributed through various channels, including retailers, department store chains, wholesalers, distributors and ecommerce.

Results and dividends

The results for the period are set out on page 14.

Ordinary dividends totalling £nil (2019: £nil) were paid during the period. The directors do not recommend payment of a further dividend.

Directors

The directors who held office during the period and up to the date of signature of the financial statements were as follows:

T D Allsworth
A N Minto

Qualifying third party indemnity provisions

The company has made qualifying third party indemnity provisions for the benefit of its directors during the period. These provisions remain in force at the reporting date.

Auditor

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

REVOLUTION BEAUTY LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE PERIOD ENDED 28 FEBRUARY 2021

Energy and carbon reporting

Introduction

As Revolution Beauty Limited (RBL) is classified as a large unquoted company under the definitions set in Section 465 and 466, Chapter 15 of Companies Act 2006, it needs to comply with the new government legislation implemented by The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 ("the 2018 Regulations") on Streamlined Energy and Carbon Reporting (SECR).

To fulfil this, we have measured our UK energy and greenhouse gas emissions as classified within Scope 1, Scope 2 and mandatory element of Scope 3 of the Streamlined Energy and Carbon Reporting (SECR) regulations, which are presented in tables 1, 2, 3, 4, 5 and 6 as these are material to our organisation's activities.

Organisational and operational boundaries of the company

RBL's structural and operational boundaries are the same. RBL operates from one main site in the UK. In addition, we leased flexible office space from third-party providers to meet our office operation requirements. The estimated energy consumption from our flexible office accommodation has been included in our SECR statement as it is material for our business operation.

Environmental Performance

RBL decided to follow and adapt, for SECR reporting, a widely recognised Greenhouse Gas Reporting Protocol – Corporate Standard methodology. As at 28 February 2021 the company's energy usage and associated carbon emissions for the SECR period 1, 1 January 2020 to 28 February 2021 (extended 14 month reporting period) were as follows:

Table 1: Total energy consumption and associated greenhouse gas emissions from Scope 1, 2 and Scope 3 for SECR Reporting period 1

Energy Type:		Energy Use (kWh)	% Split (kWh)	Emissions	% Split
				(tCO ₂ e/yr.)	(tCO ₂ e)
Combustion of Gas	(Scope 1)	842,126	81.63%	154.84	77.70%
Electricity	(Scope 1)	172,931	16.76%	40.32	20.23%
Transport	(Scope 1)	16,602	1.61%	4.12	2.07%
Total	(Scope 1, 2 and 3)	1,031,659	100.00%	199.28	100.00%

Intensity ratio

Intensity ratios compare emissions data with an appropriate business metric or financial indicator. This allows a comparison of energy efficiency performance over time and with other similar types of organisation. RBL has chosen to compare overall energy consumption and associated GHG emissions with both energy consumption and carbon emissions against annual turnover and the number of full-time employees for the reporting period.

Table 2 Intensity Ratio - Energy consumption and associated greenhouse gas emissions per £100,000 of annual turnover

Reporting period	Total Energy Consumption (kWh)	Total GHG emissions (tCO ₂ e)	Annual turnover (£)	Intensity Ratio (kWh / £100,000 turnover)	Intensity Ratio (tCO ₂ e / £100,000 turnover)
Baseline Period – SECR period 1	1,031,659	199.28	131,138,430	786.69	0.152

REVOLUTION BEAUTY LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE PERIOD ENDED 28 FEBRUARY 2021

Table 3 Intensity Ratio – Energy consumption and associated GHG emissions per the number of full-time employees

Reporting period	Total Energy Consumption (kWh)	Total GHG emissions (tCO ₂ e)	Number of employees	Intensity Ratio (kWh / Full Time Employee)	Intensity Ratio (tCO ₂ e / Full Time Employee)
Baseline Period – SECR period 1	1,031,659	199.28	174	5,929	1.145

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

Energy Efficiency Actions

RBL's energy efficiency actions have been focused, but not limited, to investments in IT infrastructure, utilising cloud based software such as Microsoft Teams, Sharepoint and NetSuite. This has not only enabled a balance of home working, but also reduced the need for travel for face to face meetings.

As RBL is a global company, this investment has also allowed more energy efficient collaboration across global locations by reducing international travel and associated emissions of GHG to a minimum.

A further benefit of the investment in IT infrastructure is the shift to a more paperless environment. Copy documents/emails are now saved into the cloud as opposed to printed and filed.

Revolution Beauty has maximised sea freight for imported goods as opposed to the less environmentally friendly method of air freight.

Methodology

The methodology used for determining energy and carbon emissions comes from a number of sources of GHG emissions:

- Natural gas used for building space heating (Scope 1)
- Electricity used for lighting, heating, ventilation and air conditioning (HVAC), and the operation of office equipment (Scope 1)
- The use of vehicles for business travel – grey fleet only (Scope 1)

The electricity and gas consumption is based on utility invoices for all of our units, where we are directly responsible for the energy use. In all cases, energy use was corrected to a full period's data as necessary.

Energy consumption for service charged offices had been estimated based on the occupied floor area and Department for Business, Energy & Industrial Strategy (BEIS) conversion factors and energy consumption benchmarks. The assumption of 8m² per desk was used to determine the occupied office floor area.

We do not operate using company vehicles. The majority of transport activities are outsourced to third-party organisations. Therefore, we are not reporting Scope 1 transport energy and GHG as these are not material to our company.

However, we report on the Scope 3 energy used by our grey fleet. The grey fleet energy emissions were determined from the mileage data extracted from our finance system. The mileage figures were used to convert into carbon dioxide equivalent emissions and energy expressed in kWh.

REVOLUTION BEAUTY LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE PERIOD ENDED 28 FEBRUARY 2021

GHG emissions have been calculated using the UK Government approved and published conversion factors for company reporting, 2020 (see table 2, section 2.3).

Table 4 -- Energy and Carbon Conversion Factors, gas, electricity and company car

Activity	Fuel	Unit	Year	Kg CO2e
Combustion of Gas	Natural Gas	kWh	2020	0.18387
Grid supplied electricity	Electricity: UK	kWh	2020	0.23314

Vehicle	Conversion factor (kWh / mile)	Conversion factor (kgCO2e / mile)
Average Car	1.11256	0.27584

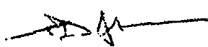
Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, each director has taken all the necessary steps that they ought to have taken as a director in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

Matters of strategic importance

Information is not shown within the Directors' Report as it is instead included within the Strategic Report on page 1-4 under S414c(11) of the Companies Act 2006. This includes information on future developments, subsequent events, financial risk management and statement on business relationships and key decisions.

On behalf of the board



T D Allsworth
Director

Date: 9/12/21

REVOLUTION BEAUTY LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE PERIOD ENDED 28 FEBRUARY 2021

The directors are responsible for preparing the Strategic Report and the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these 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;
- 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF REVOLUTION BEAUTY LIMITED

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 28 February 2021 and of its loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Revolution Beauty Limited ("the Company") for the period ended 28 February 2021 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

Independence

We remain independent of 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.

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the 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 financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF REVOLUTION BEAUTY LIMITED (CONTINUED)

Opinions on other matters prescribed by the Companies Act 2006

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

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

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.

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:

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

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the 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 financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF REVOLUTION BEAUTY LIMITED (CONTINUED)

The extent to which the audit was considered 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 obtained an understanding of legal and regulatory framework through our accumulated knowledge and consideration of sector information that is applicable to the Group. We determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the financial reporting framework (including but not limited to accounting standards in conformity with the requirements of the Companies Act 2006), global cosmetic regulations, consumer regulations, Health and Safety regulations, relevant environmental regulations and tax legislation.
- We have gained an understanding as to how the Revolution Beauty Group are complying with those legal and regulatory frameworks through enquiries of management and members of the Board responsible for legal and compliance procedures. We corroborated our enquiries through our review of board minutes.
- The relevant laws and regulations identified, in addition to fraud risks and how and where this may occur were communicated to the audit engagement team who remained alert to any indications of fraud or non-compliance with laws and regulation throughout the audit.
- We assessed the susceptibility of the entity's financial statements to material misstatement, including how fraud might occur by discussing with management where it is considered there was a susceptibility of fraud relating to management override of controls and improper revenue recognition. In addressing the risk of fraud we tested the appropriateness of journal entries and other adjustments including material revenue journals posted manually, journals including key words, round sum journals and material credit postings within expenditure; reviewed application of assessing whether the judgements made in making accounting estimates are indicative of a potential bias; performing substantive tests over revenue including the application of revenue recognition, and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We assessed the susceptibility of the entity's financial statements to material misstatement, including how fraud might occur by discussing with management where it is considered there was a susceptibility of fraud relating to management override of controls and improper revenue recognition. In addressing the risk of fraud we tested the appropriateness of journal entries and other adjustments including material revenue journals posted manually, journals including key words, round sum journals and material credit postings within expenditure; reviewed application of assessing whether the judgements made in making accounting estimates are indicative of a potential bias; performing substantive tests over revenue including the application of revenue recognition, and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business

Our audit procedures were designed to respond to risks of material misstatement in the 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.

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF REVOLUTION BEAUTY LIMITED (CONTINUED)

Use of our report

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

DocuSigned by:

James Fearon

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James Fearon (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Gatwick

09 December 2021
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BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

REVOLUTION BEAUTY LIMITED

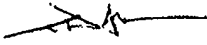
STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 28 FEBRUARY 2021

		Period ended 28 February 2021	Year ended 31 December 2019 as restated
	Notes	£	£
Turnover	4	131,138,430	120,260,840
Cost of sales		(115,247,033)	(99,362,550)
Gross profit		15,891,397	20,898,290
Administrative expenses		(36,069,685)	(25,901,684)
Other operating income	4	2,000,825	-
Operating loss	7	(18,177,463)	(5,003,394)
Interest receivable and similar income	8	206,424	207,855
Interest payable and similar expenses	9	(8,206,175)	(4,494,721)
Loss before taxation		(26,177,214)	(9,290,260)
Tax on loss	10	156,468	(392,468)
Loss for the financial period/year		(26,020,746)	(9,682,728)

REVOLUTION BEAUTY LIMITED**STATEMENT OF FINANCIAL POSITION****AS AT 28 FEBRUARY 2021**

		2021		31 December 2019 as restated	
	Notes	£	£	£	£
Fixed assets					
Intangible assets	11		2,407,264		3,287,316
Tangible assets	12		14,096,149		17,115,488
Investments	13		22,199		22,199
			<u>16,525,612</u>		<u>20,425,003</u>
Current assets					
Stocks	15	50,438,219		46,302,482	
Debtors falling due after more than one year	16	540,406		1,078,676	
Debtors falling due within one year	16	54,756,323		48,787,868	
Cash at bank and in hand		1,916,850		4,788,023	
		<u>107,651,798</u>		<u>100,957,049</u>	
Creditors: amounts falling due within one year	17	(105,703,789)		(79,865,148)	
Net current assets			<u>1,948,009</u>		<u>21,091,901</u>
Total assets less current liabilities			<u>18,473,621</u>		<u>41,516,904</u>
Creditors: amounts falling due after more than one year	18		(48,636,206)		(46,251,198)
Net liabilities			<u>(30,162,585)</u>		<u>(4,734,294)</u>
Capital and reserves					
Called up share capital	22		100		100
Other reserves	23		1,361,758		829,303
Profit and loss reserves	23		(31,524,443)		(5,563,697)
Total equity			<u>(30,162,585)</u>		<u>(4,734,294)</u>

The financial statements were approved by the board of directors and authorised for issue on 9/12/21 and are signed on its behalf by:



 T D Allsworth
 Director

REVOLUTION BEAUTY LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 28 FEBRUARY 2021

	Notes	Share capital £	Other reserves £	Profit and loss reserves £	Total £
As restated for the period ended 31 December 2019:					
Balance at 1 January 2019		100	357,040	5,599,839	5,956,979
Effect of prior period adjustment		-	-	(1,480,808)	(1,480,808)
As restated		100	357,040	4,119,031	4,476,171
Year ended 31 December 2019:					
Loss and total comprehensive loss for the year as restated		-	-	(9,682,728)	(9,682,728)
Share based payment charge		-	472,263	-	472,263
Balance at 31 December 2019		100	829,303	(5,563,697)	(4,734,294)
Period ended 28 February 2021:					
Loss and total comprehensive loss for the period		-	-	(26,020,746)	(26,020,746)
Repurchase of equity settled share based incentives		-	(60,000)	60,000	-
Share based payment charge		-	592,455	-	592,455
Balance at 28 February 2021		100	1,361,758	(31,524,443)	(30,162,585)

REVOLUTION BEAUTY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 28 FEBRUARY 2021

1 Accounting policies

Company information

Revolution Beauty Limited is a private company limited by shares and is registered and incorporated in England and Wales. The registered office is 2-3 Sheet Glass Road, Cullet Drive, Queenborough, Kent, ME11 5JS.

The company's principal activities and nature of its operations are disclosed in the Directors' Report.

Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006, including the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 26 'Share based Payment' – Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of incentive shares and share options, how the fair value of incentives shares and options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;

The results of the company are consolidated in the financial statements of Revolution Beauty Group Plc. These consolidated financial statements are available from Companies House.

The company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the company as an individual entity and not about its group.

REVOLUTION BEAUTY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 28 FEBRUARY 2021

1 Accounting policies (Continued)

Going concern

In preparing the financial statements the directors are required to assess the Company's ability to continue to trade as a going concern for the foreseeable future.

As outlined above, the directors are managing through the challenges created by the Covid-19 pandemic. When partners' retail stores reopened in the summer, customer flow and sales continued to build steadily, which gives us cautious optimism now they have reopened. Whilst the potential for further disruption remains, including the possibility of delayed reopening or further periods of lockdown, experience shows that any reduction in partners' retail store sales will be partly offset by an increase in revenue on our own website and with our digital partners, coupled with levers available to reduce costs and preserve cash.

The company has made a loss of £26.2m and has increased net liabilities of £30.2m. The Company is funded via intragroup loans from the parent company, following the parent company listing on AIM in July 2021 and securing of a £40m revolving credit facility in October 2021. In the event that the Company requires additional financial support, the directors of the parent company Revolution Beauty Group Plc would be prepared to provide additional funding to the company for a period of not less than 12 months from the date of signing these financial statements. The directors of the Company have assessed the ability of the parent company to provide this support, as summarised below, and are satisfied they are capable of doing so and have in turn received a commitment from Revolution Beauty Group Plc of its support.

The duration and severity of Covid-19 remains unknown so the Group's directors have prepared detailed cash flow forecasts and undertaken further scenario modelling. In undertaking their going concern review, the Group's directors have given due consideration to the Group's trading and mitigating actions taken through the previous and current Covid-19 disruption, together with forward-looking projections to the end of December 2022, which covers the Group's next twelve months in full. The operating plans and financial forecasts that have been modelled as the business emerges from the pandemic indicate that the Group has sufficient cash headroom to meet its liabilities as they fall due.

It is on this basis, that the directors consider that the Company will be a going concern for a period of at least 12 months from the date of approval of these financial statements and they have therefore prepared the financial statements on a going concern basis.

Reporting period

During the period, the company changed its reporting date. As a result, the figures in the current period income statement cover the 14 month period from 1 January 2020 to 28 February 2021 and therefore are not entirely comparable with the prior year figures. The reason for the change in the company's reporting date is to better reflect trading seasonality.

Turnover

Revenue is recognised when control of a product provided by the Company is transferred to the customer, in line with the Company's performance obligations in the contract, and at an amount reflecting the consideration the Company expects to receive in exchange for the provision of products.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

REVOLUTION BEAUTY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 28 FEBRUARY 2021

1 Accounting policies (Continued)

The Company recognised revenue from the following activities:

Retail

The Company sells its products via their own website ("digital") and retail stores operated by third parties ("store groups"). For retail revenue, the primary performance obligation is the transfer of goods to the customer and the transaction price is the value of the products, net of returns, rebates and discounts.

Digital

Revenue from the sale of goods is recognised when the Company sells a product through their website. Payment of the transaction price is due immediately when the customer purchases the products.

The Company's policy is to offer a right of return if notified within a specified time period. The Company 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 Company can reliably estimate future returns and the Company recognises a liability for returns against revenue based on previous accumulated experience and other factors.

Loyalty scheme

The Company operates a loyalty card scheme for 'digital' customers where points are earned for products purchased online. The Company 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 Company considers the likelihood that the customer will redeem the points.

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, as are incentives granted to distributors or consumers resulting in a cash outflow, such as commercial cooperation, coupons and discounts. Incentives granted to distributors and consumers are recorded as a deduction from net sales when the following two conditions are met at the same time: the incentive is not separable from the sale of the product and it is not possible to reasonably estimate the fair value of the cost of the incentive.

Sales incentives, cash discounts, provisions for returns and incentives granted to 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.

In some cases, the Company can enter into arrangements with distributors where payments are made to compensate for certain promotional actions for which the Company 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 Company recognises the consideration paid as a deduction of revenue.

Intangible fixed 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.

REVOLUTION BEAUTY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 28 FEBRUARY 2021

1 Accounting policies (Continued)

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Software	33.33% straight line
Website costs	33.33% straight line
Intellectual property	33.33% straight line

Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives or in the case of Stands over their period of economic consumption on the following bases:

Leasehold improvements	20% straight line
Stands	between 20% to 50% straight line
Office equipment	33.33% straight line
Computer equipment	33.33% straight line

Residual value is calculated on prices prevailing at the reporting date, after estimated costs of disposal, for the asset as if it were at the age and in the condition expected at the end of its useful life.

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

Fixed asset investments

Interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

Impairment of fixed assets

At each reporting period end date, the company 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 company 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.

REVOLUTION BEAUTY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 28 FEBRUARY 2021

1 Accounting policies (Continued)

Stocks

Finished goods are stated at the lower of cost and net realisable value on a 'weighted average cost' basis. 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.* Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Stock in transit is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

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.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents are basic financial instruments and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include trade and other debtors, loan arrangement fees in relation to drawdown facilities not yet drawn down and amounts owed by group undertakings, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

REVOLUTION BEAUTY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 28 FEBRUARY 2021

1 Accounting policies (Continued)

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification 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 of its liabilities.

Basic financial liabilities

Basic financial liabilities, including trade and other creditors, bank loans, other loans and amounts due to group undertakings, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's contractual obligations are discharged, cancelled, or they expire.

Equity instruments

Equity instruments issued by the company are recorded at the fair value of proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

Derivatives

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability.

Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

REVOLUTION BEAUTY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 28 FEBRUARY 2021

1 Accounting policies (Continued)

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

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 stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

Retirement benefits

The company operates a defined contribution scheme for the benefit of its employees. The amount charged to the statement of comprehensive income is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

Share-based payments

The group 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 of equity-settled share-based payments is expensed in the relevant subsidiary's accounts on a straight-line basis over the estimated vesting period, based on the estimated number of shares that will eventually vest. 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 considerations.

If the vesting conditions of incentive shares or share options are modified in a manner that is beneficial to the employee and this modification increase 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 fair value of the modified equity instrument and that of the original equity instrument, both estimated as at the date of the 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 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.

REVOLUTION BEAUTY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 28 FEBRUARY 2021

1 Accounting policies (Continued)

Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

Foreign exchange

Transactions in currencies other than the functional currency (foreign currency) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction, or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

REVOLUTION BEAUTY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 28 FEBRUARY 2021

2 Judgements and key sources of estimation uncertainty

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

Inventory provision

When assessing the value of stock at the period end, management consider both net realisable value and slow-moving provisions. These estimates are calculated using historical sales and calculate the months cover of each stock unit ("SKU") held in stock. Consideration is also given to the estimated levels and values of expected sales after the year end.

Returns

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

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:

Measurement, useful lives and impairment of intangible assets

Intangible assets (except for goodwill) are considered to have a finite useful economic life. They are amortised over their estimated useful lives that are reviewed at each reporting date. In the event of impairment, an estimate of the asset's recoverable amount is made. The value of the intangible assets are tested whenever there are indications of impairment and reviewed at each reporting date or more frequently should this be justified by internal or external events.

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.

3 Prior period adjustment

During the period, the directors identified that supplier rebates due had not historically been reflected in the cost price of inventory. As a result a prior period adjustment was recorded to reduce inventory at 31 December 2018 and 31 December 2019 by £1,480,808 and £2,423,477 respectively with a corresponding reduction in net assets and the profit and loss reserve at those dates. In respect of the income statement for the year ended 31 December 2019, this resulted in a corresponding adjustment to increase cost of sales and the loss before tax for the year by an amount of £942,669.

REVOLUTION BEAUTY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) **FOR THE PERIOD ENDED 28 FEBRUARY 2021**

3 Prior period adjustment (Continued)

Changes to the statement of financial position

	As previously reported £	Adjustment at 1 Jan 2019 £	Adjustment at 31 Dec 2019 £	As restated at 31 Dec 2019 £
Current assets				
Stocks	48,725,959	(1,480,808)	(942,669)	46,302,482
Capital and reserves				
Profit and loss	(3,140,220)	(1,480,808)	(942,669)	(5,563,697)

Changes to the income statement

	As previously reported £	Adjustment £	As restated £
Period ended 31 December 2019			
Cost of sales	(98,419,881)	(942,669)	(99,362,550)

4 Turnover and other revenue

In the opinion of the directors, the whole of the company's turnover for the current and previous period is attributable to the principal activity of the company.

	2021 £	2019 £
Turnover analysed by class of business		
Store groups	79,812,734	93,703,720
Digital	51,325,696	26,557,120
	<u>131,138,430</u>	<u>120,260,840</u>

	2021 £	2019 £
Turnover analysed by geographical market		
UK	57,025,061	46,012,855
Americas	11,354,921	13,715,615
Rest of World	62,758,448	60,532,370
	<u>131,138,430</u>	<u>120,260,840</u>

	2021 £	2019 £
Other revenue		
Royalty income	719,809	-
Grants received	382,713	-
Management charge income	898,303	-

REVOLUTION BEAUTY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 28 FEBRUARY 2021

4 Turnover and other revenue (Continued)

Grants received relates to income in respect of the government Coronavirus Job Retention Scheme to aid businesses with the financial impact of the COVID-19 pandemic.

5 Employees

The average monthly number of persons (including directors) employed by the company during the period was:

	2021 Number	2019 Number
Administration	154	137
Cost of sales	20	31
Total	<u>174</u>	<u>168</u>

Their aggregate remuneration comprised:

	2021 £	2019 £
Wages and salaries	9,855,829	7,221,418
Social security costs	1,160,517	758,305
Pension costs	189,790	125,779
Share based payment charge	592,455	472,263
	<u>11,798,591</u>	<u>8,577,765</u>

6 Directors' remuneration

	2021 £	2019 £
Remuneration for qualifying services	<u>655,349</u>	<u>568,659</u>

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

	2021 £	2019 £
Remuneration for qualifying services	<u>359,188</u>	<u>310,177</u>

REVOLUTION BEAUTY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) **FOR THE PERIOD ENDED 28 FEBRUARY 2021**

7 Operating loss

	2021	2019 as restated
	£	£
Operating loss for the period is stated after charging/(crediting):		
Exchange differences apart from those arising on financial instruments measured at fair value through profit or loss	209,470	(155,544)
Government grants	(382,713)	-
Fees payable to the company's auditor for the audit of the company's financial statements	45,000	45,000
Depreciation of owned tangible fixed assets	8,165,296	7,330,026
Impairment of owned tangible fixed assets	500,005	-
Amortisation of intangible assets	1,432,394	601,830
Cost of stocks recognised as an expense	84,025,215	73,703,713
Share based payments	592,455	472,263
Operating lease charges	1,245,836	1,239,338

Statutory information on remuneration for other services provided by the company's auditors and its associates is given on a consolidated basis in the group accounts of the ultimate parent company, Revolution Beauty Group Plc.

8 Interest receivable and similar income

	2021	2019
	£	£
Interest income		
Interest receivable from group companies	206,424	207,847
Other interest income	-	8
Total income	206,424	207,855

9 Interest payable and similar expenses

	2021	2019
	£	£
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	352,583	211,583
Interest payable to group undertakings	1,716,931	394,915
Series A and B loan notes	3,963,447	3,048,429
Amortisation of loan fees	1,571,384	791,129
Loss on foreign exchange contracts	585,019	-
	8,189,364	4,446,056
Other finance costs:		
Other interest	16,811	48,665
	8,206,175	4,494,721

REVOLUTION BEAUTY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 28 FEBRUARY 2021

10 Taxation

	2021 £	2019 £
Current tax		
Adjustments in respect of prior periods	(156,468)	(1,302)
Deferred tax		
Origination and reversal of timing differences	-	386,398
Previously unrecognised tax loss, tax credit or timing difference	-	7,372
Total deferred tax	-	393,770
Total tax (credit)/charge	(156,468)	392,468

The total tax (credit)/charge for the period included in the income statement can be reconciled to the loss before tax multiplied by the standard rate of tax as follows:

	2021 £	2019 as restated £
Loss before taxation	(26,177,214)	(9,290,260)
Expected tax credit based on the standard rate of corporation tax in the UK of 19% (2019: 19%)	(4,973,671)	(1,765,149)
Tax effect of expenses that are not deductible in determining taxable profit	936,505	442,536
Adjustments in respect of prior years	(156,468)	(1,302)
Group relief	814,775	516,532
Deferred tax adjustments in respect of prior years	-	7,372
Deferred tax movement and other timing differences	3,303,876	1,117,847
Fixed asset differences	8,677	9,650
Effect of change in deferred tax rate	(90,162)	64,982
Taxation (credit)/charge for the period	156,468	(392,468)

At the period end there were unrecognised tax losses of £13,724,379 (2019: £855,691) available for carry forward against future trading profits. The tax impact of these were £2,607,632 (2019: £145,467). In addition there were potential tax repayments arising as a result of prior year adjustments amounting to £281,354 (2019: £968,860). These amounts have not been recognised due to uncertainty of recoverability.

The March 2021 budget announced a further increase to the main corporation tax rate to 25% from 1 April 2023. This rate had not been substantively enacted at the balance sheet date.

REVOLUTION BEAUTY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 28 FEBRUARY 2021

11 Intangible fixed assets

	Software	Website costs	Intellectual property	Total
	£	£	£	£
Cost				
At 1 January 2020	1,603,794	1,756,865	425,388	3,786,047
Additions - separately acquired	254,274	-	298,068	552,342
Disposals	(16,353)	-	-	(16,353)
At 28 February 2021	1,841,715	1,756,865	723,456	4,322,036
Amortisation and impairment				
At 1 January 2020	250,000	215,115	33,616	498,731
Amortisation charged for the period	438,655	661,635	332,104	1,432,394
Disposals	(16,353)	-	-	(16,353)
At 28 February 2021	672,302	876,750	365,720	1,914,772
Carrying amount				
At 28 February 2021	1,169,413	880,115	357,736	2,407,264
At 31 December 2019	1,353,794	1,541,750	391,772	3,287,316

12 Tangible fixed assets

	Leasehold improvements	Stands	Office equipment	Computer equipment	Total
	£	£	£	£	£
Cost					
At 1 January 2020	454,957	22,121,982	41,935	481,661	23,100,535
Additions	10,130	5,586,397	350	49,085	5,645,962
Disposals	-	(1,976,761)	(19,327)	(77,068)	(2,073,156)
At 28 February 2021	465,087	25,731,618	22,958	453,678	26,673,341
Depreciation and impairment					
At 1 January 2020	138,113	5,603,821	28,172	214,941	5,985,047
Depreciation charged in the period	108,351	7,864,746	10,428	181,771	8,165,296
Impairment losses	-	500,005	-	-	500,005
Eliminated in respect of disposals	-	(1,976,761)	(19,327)	(77,068)	(2,073,156)
At 28 February 2021	246,464	11,991,811	19,273	319,644	12,577,192
Carrying amount					
At 28 February 2021	218,623	13,739,807	3,685	134,034	14,096,149
At 31 December 2019	316,844	16,518,161	13,763	266,720	17,115,488

REVOLUTION BEAUTY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 28 FEBRUARY 2021

13 Fixed asset Investments

	Notes	2021 £	2019 £
Investments in subsidiaries	14	22,199	22,199
Movements in fixed asset investments			
			Shares in group undertakings £
Cost or valuation At 1 January 2020 & 28 February 2021			22,199
Carrying amount At 28 February 2021			22,199
At 31 December 2019			22,199

14 Subsidiaries

Details of the company's subsidiaries at 31 December 2019 and 28 February 2021 are as follows:

Name of undertaking	Address	Nature of business	Class of shares held	% Held Direct
Revolution Beauty New Zealand Limited	1	Wholesale and retail of beauty products	Ordinary	100.00
Revolution Beauty Germany GmbH	2	Wholesale and retail of beauty products	Ordinary	100.00

Registered office addresses:

- 1 RSM New Zealand (Auckland), Level 2, Building 5, 60 Highbrook Drive, Highbrook, Auckland, 2013, New Zealand
- 2 Hauptstraße 27c, 53604 Bad Honnef, Germany

15 Stocks

	2021 £	2019 as restated £
Finished goods and goods for resale	50,438,219	46,302,482

REVOLUTION BEAUTY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 28 FEBRUARY 2021

16 Debtors

	2021	2019
	£	£
Amounts falling due within one year:		
Trade debtors	20,868,140	22,226,514
Corporation tax recoverable	157,219	1,302
Amounts owed by group undertakings	28,824,727	20,976,953
Other debtors	2,455,455	2,612,094
Prepayments and accrued income	2,134,891	2,563,965
Prepaid arrangement fees	315,891	407,040
	<u>54,756,323</u>	<u>48,787,868</u>
Amounts falling due after more than one year:		
	£	£
Prepaid arrangement fees	<u>540,406</u>	<u>1,078,676</u>
Total debtors	<u>55,296,729</u>	<u>49,866,544</u>

Prepaid arrangement fees are in respect of facilities not yet drawn down and ongoing working capital facilities which being amortised over the term of the loans to August and November 2023.

All intergroup loans are interest free, other than an element of loans with Revolution Beauty Inc which are charged at a rate of up to 6%.

17 Creditors: amounts falling due within one year

	Notes	2021	2019
		£	£
Bank loans and overdrafts	19	4,866,073	10,000,000
Receivable finance facility	19	5,849,255	-
Series A and B loan notes	19	659,701	846,101
Other loans		-	500,000
Trade creditors		43,682,370	43,752,595
Amounts due to group undertakings		35,803,193	17,271,569
Other taxation and social security		297,034	260,640
Derivative financial instruments		585,019	-
Other creditors		8,367,246	3,930,618
Accruals and deferred income		5,593,898	3,303,625
		<u>105,703,789</u>	<u>79,865,148</u>

There are fixed and floating charges over the assets of the company in favour of Lloyds Bank PLC, National Westminster Bank PLC and RBS Invoice Finance Limited.

All intergroup loans are interest free.

REVOLUTION BEAUTY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 28 FEBRUARY 2021

18 Creditors: amounts falling due after more than one year

	Notes	2021 £	2019 £
Bank loans and overdrafts	19	4,025,025	-
Series A and B loan notes	19	44,611,181	46,251,198
		<u>48,636,206</u>	<u>46,251,198</u>

19 Borrowings

	2021 £	2019 £
Bank loans	9,000,000	-
Receivable finance facility	5,849,255	-
Bank revolving credit facility	-	10,000,000
Series A and B loan notes	46,741,256	48,495,891
Loan issue costs	(1,579,276)	(1,398,592)
Other loans	-	500,000
	<u>60,011,235</u>	<u>57,597,299</u>
Payable within one year	11,375,029	11,346,101
Payable after one year	<u>48,636,206</u>	<u>46,251,198</u>

REVOLUTION BEAUTY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 28 FEBRUARY 2021

19 Borrowings (Continued)

Included in short term and long term creditors are Series A-1 and Series A-2 loan notes issued on 21 November 2018, the holders of which are entitled to receive interest at a rate of up to 6% per annum plus Libor. These loan notes are all redeemable within five years on 21 November 2023.

Also included in short term and long term creditors are Series B-1 loan notes issued on 16 October 2019, the holders of which are entitled to receive interest at a rate of up to 6% per annum plus Libor. These loan notes are all redeemable within five years on 21 November 2023.

Series A-1 and Series A-2 loan notes are fully drawn down. There were additional Series B-1 loan notes of £5,000,000 (2019: £16,041,548) available to draw down at the year end. The loan notes are shown net of any directly related issue costs amounting to £1,470,374 (2019: £1,398,592) including £503,788 of issue costs incurred in 2020 in respect of the facility amendments during the period including the reduction in the undrawn facility. At the period end the Company had additional loan note facilities of £nil (2019: £30,000,000) available to draw down.

A bank revolving credit facility of £10,000,000 was repaid in full in the period (2019: £10,000,000). Interest accrued on the outstanding cash facility balance at a rate between 3.2% and 3.4% per annum and this facility was fully repaid on 6 March 2020.

During the period, the Company secured a Coronavirus Business Interruption Loan of £9,000,000 which was fully drawn down. The loan are shown net of any directly related issue costs amounting to £108,901. Interest is charged at a rate of between 2.3% and 2.8% per annum plus base rate. At the period end £9,000,000 (2019: £nil) was outstanding in respect of these loans. These loans are due to be repaid in full by 31 August 2023.

During the period, the Company obtained a receivable financing facility of £11,000,000 of which £5,849,255 was drawn down at the year end. Interest accrues daily at a rate of 2% plus base rate. A non-utilisation fee is charged on any undrawn amount at a rate of 0.7%. This facility is available until 25 November 2023.

Also included in other loans is a loan from TAM Property Limited (a company with common shareholders) totalling £nil (2019: £500,000). This loan is interest free and was fully repaid on 30 November 2020.

The bank loans, receivable finance facility and the Series A and B loan notes are secured on fixed and floating charges over all assets of the company.

20 Financial instruments

	2021	2019
	£	£
Carrying amount of financial liabilities		
Measured at fair value through profit or loss		
- Foreign exchange forward contracts	585,019	-

Changes in the fair value of derivatives are recognised in profit and loss within finance costs (note 9).

The notional value of the related contracts at the period end was \$19,000,000.

REVOLUTION BEAUTY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) **FOR THE PERIOD ENDED 28 FEBRUARY 2021**

21 Retirement benefit schemes

	2021	2019
	£	£
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	189,790	125,779

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund. At the reporting date, contributions totalling £26,518 (2019: £442) were payable to the fund and are included within other creditors.

22 Share capital

	2021	2019	2021	2019
	Number	Number	£	£
Ordinary share capital				
Issued and fully paid				
Ordinary shares of 50p each	100	100	50	50
'A' Ordinary shares of 50p each	100	100	50	50
	200	200	100	100

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

'A' Ordinary shares carry no rights to receive notice of or attend, speak and vote at any shareholder meeting of the company. They also carry no entitlement, save as may be decided from time to time by the directors of the company, to receive any dividends or other distributions paid by the company.

REVOLUTION BEAUTY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 28 FEBRUARY 2021

23 Reserves

Profit and loss reserves

The profit and loss reserve represents cumulative profit and loss net of distributions to owners.

Other reserve

The other reserve represents the cumulative share based payment expense.

24 Financial commitments, guarantees and contingent liabilities

At the balance sheet date a cross guarantee exists between Revolution Beauty Topco Limited, Revolution Beauty Holdings Limited, Revolution Beauty Limited and Revolution Beauty UK Holdco Limited. The outstanding net balance in relation to these bank facilities is £46,741,256 (2019: £48,495,891). This facility is secured by fixed and floating charges over the companies' assets.

The Company 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 Company, 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 Company has control. Despite the time that has passed, no court proceedings have been brought by the music owners. The Company has taken formal legal advice from specialist US intellectual property attorneys. Based on that advice, the Company believes that if the allegations were to ever be pursued through litigation and if there were found to be any liability at all on the part of the Company, there is a reasonable expectation that such liability would be within the combined level of the Company's insurance cover and an indemnity provided by the principal shareholders. However, the directors consider that at this stage it is not probable that a material liability will arise and any possible financial effect is not capable of being measured reliably.

25 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2021 £	2019 £
Within one year	274,131	1,371,074
Between one and five years	298,695	456,879
	<u>572,826</u>	<u>1,827,953</u>

26 Capital commitments

Amounts contracted for but not provided in the financial statements:

	2021 £	2019 £
Acquisition of tangible fixed assets	<u>140,715</u>	<u>481,989</u>

REVOLUTION BEAUTY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 28 FEBRUARY 2021

27 Events after the reporting date

In June 2021, the Company drew down its remaining loan note facility of £5 million, leaving no remaining unutilised facility.

In July 2021 Revolution Beauty Group Limited, the ultimate parent company, completed an Initial Public Offering on the London Stock Exchange.

In October 2021 Revolution Beauty Group Limited, agreed a new revolving credit facility of £40,000,000 with HSBC and Natwest, of which RBL is a guarantor.

28 Related party transactions

Transactions with related parties

During the period the company entered into the following transactions with related parties:

	Sale of goods		Purchase of goods and services	
	2021	2019	2021	2019
	£	£	£	£
Other related parties	150,411	8,388	15,397,730	8,526,581

	Reimbursed expenses and rent paid to		Loans received from	
	2021	2019	2021	2019
	£	£	£	£
Other related parties	121,363	48,000	-	4,300,000

The following amounts were outstanding at the reporting end date:

	2021	2019
	£	£
Amounts owed to related parties		
Other related parties	6,539,977	5,041,839

The following amounts were outstanding at the reporting end date:

	2021	2019
	£	£
Amounts owed by related parties		
Other related parties	24,654	3,432

REVOLUTION BEAUTY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 28 FEBRUARY 2021

28 Related party transactions (Continued)

The amounts owed by related parties are unsecured, interest free and repayable on demand.

Amounts owed to related parties includes a short term loan of £nil (2019: £500,000) which is unsecured, interest free and repayable on demand. Amounts of £nil (2019: £4,300,000) were received during the period and £500,000 (2019: £3,800,000) was repaid during the period. The remaining £6,539,977 (2019: £4,541,839) owed to related parties is unsecured, interest free and repayable on demand, this is included within creditors.

Other related parties represent companies with common key management personnel, common shareholders and parties connected to shareholders.

29 Parent Company

The immediate parent company is Revolution Beauty Holdings Ltd, a company incorporated in the United Kingdom, which owns 100% of the company's issued share capital. The parent of the largest and smallest group for which consolidated accounts are prepared including Revolution Beauty Limited is Revolution Beauty Group Plc. The consolidated accounts of Revolution Beauty Group Plc are available to the public and can be obtained from Companies House. The registered office of Revolution Beauty Group Plc is 2-3 Sheet Glass Road, Cullet Drive, Queenborough, Kent, ME11 5JS.

There is no single ultimate controlling party.