RNS Number : 3021T
Revolution Beauty Group PLC
14 November 2023

This announcement contains inside information for the purposes of Article 7 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 ("MAR"), and is disclosed in accordance with the Company's obligations under Article 17 of MAR.

REVOLUTION BEAUTY GROUP PLC

("Revolution Beauty", the "Group" or the "Company")

INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 AUGUST 2023

H1 24 revenue up 20%, driven by volume growth across all regions and softer prior year comparatives.

Strong improvement in EBITDA, up £14.3m, due to higher sales volumes, gross margins and cost reduction initiatives.

New CEO, CMO and COO appointed, bringing considerable industry experience.

Upgrade to FY24 full year EBITDA guidance.

Revolution Beauty Group plc (AIM: REVB), the multi-channel mass beauty innovator, today announces its unaudited Half Year Results for the six months ended 31 August 2023 ('H1 24').

Financial Highlights

Group results (Unaudited)	**H1 24 £'M**	H1 23 £'M	Change £'M	Change %
Revenue	**90.4**	75.3	15.1	20%
Gross Profit	**44.7**	31.2	13.5	43%
Gross Margin	**49.4%**	41.4%	8.0pt	19%
Adjusted EBITDA*	**6.4**	(7.9)	14.3	181%
Adjusted EBITDA %	**7.1%**	(10.5%)	17.6%	n/a
Operating (Loss)	**(0.5)**	(12.5)	12.0	96%
Profit/(Loss) before tax	**0.4**	(13.7)	14.1	n/a
Gross inventory	**58.6**	97.5	(38.9)	(40%)
Cash	**8.0**	11.8	(3.8)	(32%)
Net (debt)	**(23.8)**	(15.9)	(7.9)	(50%)

**Adjusted EBITDA is an alternative performance measure used by management to gauge the underlying performance of the business, adjusting for certain non-cash, non-recurring and normalising items that are not considered to form part of underlying performance (note 8).*

- Group revenue increased by 20% driven by growth across all regions and softer H1 23 comparatives.
- Gross margin improved to 49%, with significant improvement in freight rates, improving stock control and more focused New Product Development ('NPD').
- Adjusted EBITDA of £6.4m, increased by £14.3m due to sales performance, improved gross margin and cost control.
- Operating loss decreased to £0.5m (H1 23: £12.5m loss), due to improved performance and a lower level of exceptional costs.
  - £2.3m gain on the revaluation of deferred consideration relating to the acquisition of Medichem in October 2021. The amendment to the terms of the payment of the deferred consideration was announced on 7 March 2023 (see note 6).
- Gross inventory reduced by £38.9m due to improved controls over product assortment, alongside a

discontinued stock clearance programme.

- As at 10 November 2023, cash balances were £12.3m, with net debt of £19.7m.
    - Cash outflow from operations in H123 was £0.4m, including £4.2m of exceptional legal and professional costs and £8.2m of payments principally relating to legacy supplier debts.
    - Net bank debt was £23.5m at the end of H1 23, with £32.0m drawn on the RCF and £8.0m of cash.
    - Significant headroom on covenants remains.

Operational Highlights

- Strengthened and refreshed Board and management team.
    - Lauren Brindley appointed Group Chief Executive Officer, bringing significant leadership expertise across retail, beauty, and brands.
    - Alison Hollingsworth appointed Chief Marketing Officer, bringing beauty brand development and marketing expertise.
    - Steve Vanoli appointed Chief Operating Officer, bringing merchandising and operational experience in the retail sector.
    - After engagement with major shareholders, four new Non-Executive Directors have been appointed, bringing relevant and complementary experience to the Board.
- Increased number of doors worldwide through new retail relationships, expansion of existing relationships and entry into new territories.
    - **US store revenue** grew 8% due to a new partnership with Walmart.
    - **UK stores revenue** grew 13% with strong performances across Boots and Superdrug.
    - **Rest of the world stores revenue** up 58%, with growth primarily due to weak H1 23 comparative revenue in Germany and Turkey.
    - **Distributer revenue** grew 65% primarily due to weak prior year comparatives related to overstocking, and new distribution in Middle East.
    - **Digital wholesale revenue** grew 12% reflecting recovery from previous overstocking issues in H1 23. Own web sales declined 18% following strategic reallocation of marketing investment.
- Total D2C contactable database increased 16% year-on-year to 1.98 million; total customer base increased 3%, with returning customers increasing by 6%.

- The Group continued to focus on its distinctive social media presence and successfully leveraged its existing Revolution branded channels, delivering global social channel follower growth of 6% year on year with an increase in engagement rate across all cosmetics channels of 27% year on year.

Outlook

- The strength of the Revolution brand and the beauty markets in which we operate underpins our global growth ambitions.
- The Group has sufficient cash resources and covenant headroom to finance its current organic growth plans.
- Revolution Beauty has made a good start to the second half of FY 24, with revenue and adjusted EBITDA in line with internal forecasts.
- While the crucial Christmas trading period is still to come, the Group is upgrading its guidance for the full year and now expects adjusted EBITDA to be not less than double-digit millions for FY 24 (an increase from the previously guided high single digit millions). The Group continues to expect revenue growth to be in the high single digits in FY 24.
- New CEO to present three-year strategic plan for the Group at a capital markets event early in the new year.

Lauren Brindley, Group Chief Executive Officer, said:

"Since joining Revolution Beauty, I have seen first-hand the strength of the Revolution brand, the brilliance of my colleagues and the enduring relevance of our product offer. It is these aspects which have supported the business over the past 18 months, and which I am confident will unlock future opportunities.

"With improved internal controls and the right leadership in place with clearer roles and responsibilities, momentum has built across the business in the first half of the year. Our strengthened financial performance and the return to positive EBITDA represents a significant milestone in the next phase of this business, while new retail partnerships in the US and strengthened retail partnerships elsewhere around the world are representative of our operational the US and strengthened retail partnerships elsewhere around the world are representative of our operational progress.

"Looking ahead, I believe there are significant and compelling opportunities for Revolution Beauty within a large and attractive market. While there is still lots to do, we are on the right trajectory, and I am developing a strategic plan with our new executive leadership team to ensure we are best-placed to deliver future growth. I look forward to sharing this vision and more detail on our plans early in the new year."

Presentation

A recorded management presentation from Lauren Brindley, CEO and Elizabeth Lake, CFO is available here: https://stream.brrmedia.co.uk/broadcast/65524fd57cc5473d88694591

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About Revolution Beauty

Revolution Beauty is a global mass beauty and personal care business which operates a multi brand, multi category strategy and sells its products both direct-to-consumer (DTC) via its e-commerce operations, and in physical and digital retailers through wholesale relationships.

Today, the Group has a retail footprint of c.17,500 doors across leading retail chains in the UK, USA and other international markets. Revolution Beauty has access to a wide customer base, predominantly aged between 16 and 35, through its digital partners and own DTC platform. It has established and invested to streamline its supply chain with its own manufacturing facility in the UK, and third-party warehousing facilities across the UK, USA and Australia. The Group has offices in the UK, USA, New Zealand and Germany. Revolution Beauty currently employs 411 people.

The total mass beauty market was worth $218bn in 2022 and is expected to grow to $255bn over the next 3 years (*source: Euromonitor*). Revolution Beauty has been a leading innovator building a significant global following across social channels, enabling it to spot trends and respond quickly to consumer demand, and translating this to mass market beauty retail.

Chief Executive Officer's Review

This review follows the very recent publication of our FY 23 Annual Report and Accounts on 31 August 2023, and the period under review in this report, H1 24, was before the start of my tenure at Revolution Beauty. However, I am pleased with the financial performance and the operational progress that these results demonstrate. These are figures which underline the resilience and attractiveness of the Revolution brand during a period of well-publicised upheaval for the Group. In addition, the progress achieved during the period represents a step-forward for the Group, strengthening our position as we look towards sustainable future growth.

Since joining the Group in September 2023, I have been impressed by the strength of the brand, the engagement we enjoy with our global customer base, the quality of our retail partner relationships, the pipeline of new product and the passion of our employees.

During my time with the Group, I have been getting to know the business across all the markets in which we operate and focused on developing a growth strategy, which will be anchored in a three-year plan. This is being created in tandem with the wider leadership team and we will provide more detail on this in early 2024.

It is clear there are significant opportunities for growth and for operating excellence across Revolution Beauty, but there is work to be done. We have already taken action to ensure that we can begin to deliver on our potential. This has included: optimising our brand and product portfolio, with a clearer focus on our core products and a reduction in ongoing replenishable SKU count by c.50%; putting in place a more effective operating model, under a new Chief Operating Officer, and taking steps to improve our global supply chain; refreshing the Executive Team, so that we have the right leadership team in place with clearer roles and responsibilities; and evaluating cost saving initiatives which will help to increase profitability and cash generation.

While the crucial Christmas trading period is still to come, the Group is upgrading its guidance for the full year and now expects adjusted EBITDA to be not less than double-digit millions for FY 24 (an increase from the previously guided high single digit millions). The Group continues to expect revenue growth to be in the high single digits in FY 24.

As we look further ahead, we will provide a comprehensive update on the future opportunities we see for Revolution Beauty to all our stakeholders in early 2024.

Financial Review

As previously announced the Directors have determined that a provision which was previously disclosed as a contingent liability should have been recognised as a provision during the period ended 31 August 2022. The impact of the correction is set out in note 3.

Revenue

Revenue for H1 24 was £90.4m, up 20% on H1 23. This growth rate is ahead of the global beauty market and is driven by strong performances in retail globally and the distributer revenue channel. Year on year growth in H2 24 is expected to be lower due to stronger prior year comparatives in H2 23.

Global store group revenue contributed just over half of the growth, with UK store revenue increasing 12% year-on-year through strong sales to Superdrug and Boots, and US store group performance benefitting from new distribution in Walmart.

The growth in distributer revenue accounted for just under half of overall Group revenue growth in the period. This was achieved through extended distribution in the Middle East coupled with stronger performances across a number of distributer customers where the prior year comparisons were particularly weak. International store groups also performed strongly contributing c.25% of the growth, with Turkey and Germany performing particularly well following overstocking in H1 2023.

Digital wholesale revenue grew 12% reflecting recovery from previous overstocking issues in H1 23. Own web sales declined 18% following strategic reallocation of marketing investment.

Gross Margin

Gross margin in the period was 49.4%, significantly ahead of the 41.4% achieved in H1 23.

Approximately half of this increase is due to the reduction in freight rates which has reduced landed costs significantly. Freight rates are now back to pre-pandemic levels.

The gross margin further improved as a result of changes in the value of the stock provision. Approximately 2 percentage points of this improvement is attributable to a more focused approach to new product development, designed to improve quality, relevance, and customer satisfaction as well as stock management and profitability. A further 1 percentage point is due to achieving a selling price above the provisioned cost of slow moving and obsolete stock.

Due to the timing of stock flows in and out of the Group it is anticipated that some of the gains resulting from the release of stock provision will reverse in H2 24 and have a lower positive impact on margin by year end. At the same time the Group remains focussed on clearing old stock and improving buying patterns. Going forward, it is anticipated that margin increases will be driven by price and product mix.

Adjusted EBITDA and Operating Loss

The adjusted EBITDA for the period was £6.4m (H1 23 EBITDA loss £7.9m), an improvement of £14.3m

The adjusted EBITDA for the period was £6.4m (H1 23 EBITDA loss £7.9m), an improvement of £14.3m.

The increase is due to revenue and margin growth, coupled with reductions in year-on-year marketing costs, particularly in stand updates, and improvements in direct costs associated with distribution.

Operating loss was £0.5m, against a loss of £12.5m in H1 23. There were material exceptional restructuring and legal and professional costs in the statement of comprehensive income (c.£2.8m, see note 8). In addition, there was an increase in share-based payment charges as a result of the grant of relisting awards as announced on 28 June with the Group's readmission to AIM.

Reported profit after tax was £0.3m against a loss of £13.8m in H1 23. The finance income arises primarily from the revaluation of the deferred consideration due from the acquisition of Medichem, following the Deed of Variation signed on 6 March 2023 amending the timing of the payments. This resulted in a financial gain which is reported in finance income.

Cash

We ended the period with a cash balance of £8.0m and gross borrowing amounted to £32.0m.

Whilst there was an operating cash outflow of £0.4m in the period, the Group has paid material legal and professional exceptional costs (c.£4.2m) and has paid down material amounts of legacy stock supplier debts (c.£8.2m). A payment plan has been agreed with these stock suppliers to ensure the situation is not repeated in the future. Going forward the level of exceptional costs is expected to materially reduce, and the outflow in working capital is also expected to reduce as a result of actions that have been taken to control stock management and cash collection.

The Group has sufficient cash resources and covenant headroom to finance its current organic growth plans.

Regulator action

The Company informed shareholders on 21 July 2023 that the Financial Conduct Authority 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 continues to cooperate fully with the FCA and will provide updates as necessary.

REVOLUTION BEAUTY GROUP PLC

CONSOLIDATED CONDENSED STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 AUGUST 2023

	Note	**6 months ended 31 August 2023**	**6 months ended 31 August 2022 As restated**	**Year ended 28 February 2023**
		Unaudited £'000	**Unaudited £'000**	**£'000**
Revenue	**5**	90,399	75,273	187,842
Cost of sales		(45,733)	(44,088)	(111,958)
Gross profit		44,666	31,185	75,884
Marketing and distribution costs		(22,845)	(26,964)	(57,469)
Administrative expenses				
- General administrative expenses		(22,349)	(16,682)	(42,161)
- Impairment losses on financial assets		-	-	(204)
- Impairment of property, plant and equipment		-	-	(2,177)
- Impairment of goodwill		-	-	(3,388)
- Provision for legal cases		-	-	(1,066)

Total administrative expenses		(22,349)	(16,682)	(48,996)
Operating loss		(528)	(12,461)	(30,581)
Finance income	6	2,358	-	1
Finance costs		(1,464)	(1,192)	(3,294)
Profit/(Loss) before taxation		366	(13,653)	(33,874)
Income tax credit/(expense)		(21)	(111)	228
Profit/(Loss) for the year/period		345	(13,764)	(33,646)
Other comprehensive expense for the period, net of tax				
Exchange differences		829	(1,433)	(223)
Total comprehensive income/(loss) for the period		1,174	(15,197)	(33,869)
Earnings per share (p)	7	0.0	(4.4)	(10.9)
Diluted earnings per share (p)	7	0.0	(4.4)	(10.9)
Adjusted EBITDA	8	6,438	(7,867)	(7,475)

The total comprehensive loss for the period is entirely attributable to the owners of the parent company.

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Refer to Note 3 for detailed information on the correction of prior period errors.

REVOLUTION BEAUTY GROUP PLC **(Company Number: 11666025)**

CONSOLIDATED CONDENSED STATEMENT OF FINANCIAL POSITION

AS AT 31 AUGUST 2023

	Notes	31 August 2023 Unaudited	31 August 2022 As restated Unaudited	28 February 2023
ASSETS		**£'000**	**£'000**	**£'000**
Non-current assets				
Intangible assets		5,116	9,956	5,728
Property, plant and equipment		7,399	8,945	7,928
Right-of-use assets		1,501	3,602	2,310
Reimbursement asset	3	-	3,586	-
		14,016	26,089	15,966
Current assets				
Inventories	10	42,320	55,200	47,606
Trade and other receivables	11	43,370	53,144	52,708
Corporation Tax Receivable		340	-	-
Reimbursement asset	3	4,079	-	4,079
Cash and cash equivalents		8,006	11,754	11,044
Total current assets		98,115	120,098	115,437
Current liabilities				
Lease liabilities		(1,204)	(2,046)	(2,060)
Trade and other payables	12	(65,889)	(83,062)	(82,707)
Deferred consideration	6	-	(5,083)	(10,910)
Provisions	3	(6,815)	-	(7,060)
Borrowings	9	(31,807)	(27,637)	(31,721)
Corporation tax payable		-	(311)	(28)
Total current liabilities		(105,715)	(118,139)	(134,486)

Net current assets		(7,600)	1,959	(19,049)
Total assets less current liabilities		6,416	28,048	(3,083)
Non-current liabilities				
Lease liabilities		(708)	(1,974)	(954)
Deferred consideration	**6**	(16,137)	(13,778)	(9,098)
Deferred tax liabilities		91	(28)	`-
Provisions	**3**	-	(6,151)	-
Total non-current liabilities		(16,754)	(21,931)	(10,052)
Net assets		(10,338)	6,117	(13,135)
Equity				
Share capital		3,183	3,097	3,097
Share premium		103,487	103,487	103,487
Warrant reserve		7,239	7,239	7,239
Merger reserve		14,860	14,860	14,860
Translation reserve		1,275	(764)	446
Retained earnings		(140,382)	(121,802)	(142,264)
Total equity		(10,338)	6,117	(13,135)

Refer to Note 3 for detailed information on the correction of prior period errors.

REVOLUTION BEAUTY GROUP PLC

CONSOLIDATED CONDENSED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 AUGUST 2023

	Share capital £'000	**Share Premium £'000**	**Warrant reserve**	**Merg reser £'0**
Balance at 1 March 2022 - *as restated*	3,097	103,487	7,239	14,8
Loss for the period - *as restated*	-	-	-	
Other comprehensive income net of taxation:				
Foreign operations - foreign currency translation differences	-	-	-	
Total comprehensive loss for the period	-	-	-	
Transactions with owners in their capacity as owners:				
Share-based payments	-	-	-	
Total transactions with owners	-	-	-	
Balance at 31 August 2022 - *as restated*	3,097	103,487	7,239	14,86

Refer to Note 3 for detailed information on the correction of prior period errors.

REVOLUTION BEAUTY GROUP PLC

CONSOLIDATED CONDENSED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 AUGUST 2023

	Share capital £'000	Share premium £'000	Warrant reserve £'000	Merger reserve £'000
Balance at 1 March 2023	3,097	103,487	7,239	14,860
Profit for the period	-	-	-	-
Other comprehensive expense net of taxation:				
Foreign operations - foreign currency translation differences	-	-	-	-
Total comprehensive loss for the period	-	-	-	-
Transactions with owners in their capacity as owners:				
Issue of shares, net of transaction costs	86	-	-	-
Share-based payments	-	-	-	-
Total transactions with owners	86	-	-	-
Balance at 31 August 2023	3,183	103,487	7,239	14,860

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

REVOLUTION BEAUTY GROUP PLC

CONSOLIDATED CONDENSED STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 AUGUST 2023

	6 months ended 31 August 2023 Unaudited £'000	6 months ended 31 August 2022 As restated Unaudited £'000	Year ended 28 February 2023 £'000
Cash flows from operating activities			
Loss for the financial period	345	(13,764)	(33,646)
Adjustments for:			
Taxation	21	111	(228)
Finance costs	1,464	1,192	3,294
Finance income	(2,358)	-	(1)
Depreciation of property, plant and equipment	2,100	2,638	8,369
Impairment of property, plant and equipment	-	-	2,177
Amortisation of intangible assets	462	787	1,933
Impairment of intangible assets	-	-	3,388
Loss/(profit) on disposal of property, plant and equipment	5	197	62
Equity settled share-based payment expense	1,537	884	303
Provisions movement	(245)	336	1,565
Movements in working capital:			
Movement in inventories	5,285	(10,517)	(2,923)
Movement in receivables	9,339	1,638	1,814
Movement in payables	(18,346)	13,060	11,934

Movement in payables	(18,346)	12,060	11,934
Cash used in operating activities	(391)	(4,438)	(1,959)
Income tax refunded/(paid)	(516)	1,564	1,898
Net cash used in operating activities	(907)	(2,874)	(61)
Cash flows from investing activities			
Purchase of intangible assets	(128)	(449)	(1,018)
Purchase of property, plant and equipment	(896)	(2,767)	(7,496)
Finance income	-	-	1
Net cash used in investing activities	(1,024)	(3,216)	(8,513)
Cash flows from financing activities			
Interest paid	(1,199)	(873)	(1,175)
Proceeds from borrowings	-	4,000	8,000
Payment of lease liabilities	(1,102)	(1,066)	(2,127)
Net cash generated from financing activities	(2,301)	2,061	4,698
Cash and cash equivalents			
Net (decrease) in the period	(4,232)	(4,029)	(3,876)
Cash and cash equivalents at the beginning of the period	11,044	15,619	15,619
Effects of exchange rate changes	1,194	164	(699)
Cash and cash equivalents at the end of the period	8,006	11,754	11,044

REVOLUTION BEAUTY GROUP PLC

NOTES TO THE CONSOLIDATED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 AUGUST 2023

1. General information

Revolution Beauty Group Plc ("the Company") is a company limited by shares and is registered and incorporated in England and Wales. 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.

The Board of Directors approved this unaudited interim financial information on 13 November 2023.

2. Significant accounting policies

These consolidated condensed financial statements for the interim half-year reporting period ended 31 August 2023 have been prepared in accordance with IAS 34 'Interim Financial Reporting'. These interim financial statements do not constitute full financial statements and do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 28 February 2023. The FY 23 numbers included in this report are not statutory accounts for that year (but have been derived from the statutory accounts). The FY 23 statutory accounts contain a qualified audit report which can be found on the Group's website https://revolutionbeautyplc.com/results-and-reports/.

The annual financial statements of the Group are prepared in accordance with UK-adopted International Accounting Standards ("IFRSs"). The Group has applied the same accounting policies and methods of computation in its interim consolidated financial statements as in its 28 February 2023 annual financial statements. There are no new and amended standards and/or interpretations that will apply for the first time in the next annual financial statements that are expected to have a material impact on the Group.

Tax charged within the 6 months ended 31 August 2023 has been calculated by applying the effective rate of tax which is expected to apply to the Group for the year ending 28 February 2024 as required by IAS 34.

The financial statements have been prepared on the historical cost basis except for, where disclosed in the accounting policies, certain financial instruments that are measured at fair value. The financial statements are prepared in Sterling, which is the functional currency and presentational currency of the parent Company and primary operating subsidiary. Monetary amounts in these financial statements are rounded to the nearest £1,000.

Going concern

As reported in note 2 of the FY 23 Annual Report and Accounts, the Directors have completed a full assessment of forecast and banking arrangements to consider going concern.

The Group's revenue growth, margin improvement and return to positive adjusted EBITDA in H1 all represent key improvement in the Group's financial stability since the previous assessment. Steps taken with regard to the deferral and renegotiation of the Medichem consideration and the amendment of the Group's lending arrangements and reductions in payables are significant in strengthening liquidity and providing a base from which to grow.

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

However, the directors also recognise the challenges the business has faced since its listing on AIM and the underperformance of sales versus previous expectations, as well as the uncertainty in the wider economy. The strength of the Group's brand and recent reductions in expenditure and a more refined stock purchasing process have enable continued growth through a challenging period. The Directors are working to build on this period of stabilisation with a renewed strategy that keeps the Group on a stable financial footing on a long term basis.

In the event that revenue falls below the level forecast in the base case scenario, the Directors are also confident that they are able to take mitigating actions to reduce controllable costs further on a timely basis, in order to maintain compliance with the Adjusted EBITDA and minimum liquidity covenant tests.

The Directors acknowledge that, in the event either a financial or non-financial covenant were to be breached, 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 the FY 23 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 into the Auditors opinion on the FY2 4 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.

The Group's Revolving Credit Facility matures in October 2024. The Group is currently in discussion with its banking partners to extend the facility on terms consistent with the existing agreement for a period of 12 months beyond the current maturity. The board is confident that the discussion will result in an extension of the facility. Whilst the board has confidence in the process and lenders remain supportive, there is uncertainty in the extension of the current facility until a further agreement is signed. Were an agreement for an extension not to be reached the Group would need to find additional financing upon maturity of the RCF, the board is confident that this would be achievable.

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

3. Correction of prior period 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 period ended 31 August 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 £4.9m should have been provided for at 31 August 2022.

In addition, it has been determined that reimbursement assets of £3.6m should have been recognised in respect of insurances and reimbursements the Group will receive when a settlement is ultimately paid. The reimbursement assets recognised relate to an insurance policy and indemnities. £2.3m 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 for the period ended 31 August 2022 is a net charge in respect of the legal case of £336k. In addition, £0.2m in legal costs were settled on behalf of the Group by its insurance during the period ended 31 August 2022. Deferred tax assets totalling £432k should have been recognised as a result, with a corresponding credit in the Statement of Profit or Loss.

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

Extract	6 month period ended 31 August 2022 Reported £'000	Adjustments £'000	6 month period ended 31 August 2022 Restated £'000
Administrative expenses	(16,346)	(336)	(16,682)
Loss before taxation	(13,317)	(336)	(13,653)
Loss for the period	(13,428)	(336)	(13,764)
Total comprehensive loss for the period	(14,861)	(336)	(15,197)
Earnings per share (p)	(4.3)	(0.1)	(4.4)
Diluted earnings per share (p)	(4.3)	(0.1)	(4.4)
Adjusted EBITDA	(7,531)	(336)	(7,867)

Impact on the Statement of Financial Position

Extract	31 August 2022		31 August 2022

Extract	2022 Reported £'000	Adjustments £'000	2022 Restated £'000
Reimbursement Asset	-	3,586	3,586
Provisions (non-current)	(1,210)	(4,941)	(6,151)
Deferred tax liabilities	(460)	432	(28)
Net assets/(liabilities)	7,040	(923)	6,117
Retained earnings	(120,879)	(923)	(121,802)
Total equity	7,040	(923)	6,117

4. 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.

5. Revenue

An analysis of the Group's revenue is as follows:	6 month period ended 31 August 2023 Unaudited £'000	6 month period ended 31 August 2022 Unaudited £'000	Year ended 28 February 2023 £'000
Revenue analysed by class of business			
Digital	18,098	18,486	51,008
Store Groups	72,301	56,787	136,834
	90,399	75,273	187,842
Revenue analysed by geographical location			
United Kingdom	31,397	28,231	66,974
United States of America	23,619	22,704	51,961
Rest of World	35,383	24,338	68,907
	90,399	75,273	187,842

6. 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 7 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 Investments Ltd)
- £5.125 million payable on 21 October 2026
- £5.125 million payable on 21 October 2027
- £5.125 million payable on 21 October 2028 Interest accrues on outstanding balances at a rate of 2.5% per annum

The modification was deemed by management to be substantial. This was determined by recalculating the amortised cost of the modified deferred consideration by discounting the modified contractual cash flows using the original effective interest rate and resulting in a movement in amortised cost of greater than 10% of the original. The variance between the fair value of the modification and the amortised cost of the original deferred consideration resulted in a net gain of £2,370k, which has been recognised in the profit or loss as finance income at the date of the modification.

7. 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 common 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.

	6 month period ended 31 August 2023 Unaudited	**6 month period ended 31 August 2022 Unaudited**	**Year ended 28 February 2023**
Loss attributable to shareholders (£'000)	345	(13,764)	(33,646)
Weighted average number of shares	311,776,151	309,737,250	309,737,250
Basic earnings per share (p)	0.0	(4.4)	(10.9)

Total comprehensive expense attributable to the owners of the company (£'000)	345	(13,764)	(33,646)
Weighted average number of shares	311,776,151	309,737,250	309,737,250
Dilutive effect of share options	-	-	-
Diluted earnings per share (p)	0.0	(4.4)	(10.9)

Pursuant to IAS 33, options whose exercise price is higher than the value of the Company's security were not taken into account in determining the effect of dilutive instruments. The calculation of diluted earnings per share does not assume conversion, exercise, or other issue of potential ordinary shares that would have an antidilutive effect on earnings per share.

8. 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 Group. 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.

	6 month period ended 31 August 2023 Unaudited £'000	**6 month period ended 31 August 2022 Unaudited £'000**	**Year ended 28 February 2023 £'000**
Operating loss	(528)	(12,461)	(30,581)
Amortisation of intangible assets	462	787	1,933
Impairment of intangible assets	-	-	3,388
Depreciation of property, plant and equipment	2,100	2,638	8,369
Impairment of property, plant and equipment	-	-	2,177
Loss on disposal of asset	5	-	62
Share-based payments	1,640	884	303
Operating exceptional items:			
Acquisition costs	-	76	262
Restructuring costs	440	209	1,310
Provision for settlement of legal cases	-	-	1,474
Exceptional legal fees	2,319	-	3,528
Exceptional audit fees	-	-	300
Adjusted EBITDA	6,438	(7,867)	(7,475)

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 £896k (FY 23: £3.5m).

During the period a major shareholder of the Group, boohoo Group Plc ("boohoo"), requisitioned a General Meeting with certain resolutions to be voted upon, the details of which are available on the Group's website. On 18 July 2023, prior to the General Meeting taking place, the Group announced a settlement agreement with boohoo. The terms of the settlement included the resignation of directors Bob Holt and Derek Zissman and the appointment of Alistair McGeorge, Neil Catto, Rachel Horsefield and Peter Hallet. Included within exceptional legal fees are £577k of cost associated with legal and professional support associated with this process.

On 20 June 2023 the Group announced that it had sent a letter of claim to one of its former directors, the claim alleges that the director breached his fiduciary, statutory, contractual and/or tortious duties to the Company, included within exceptional legal fees are £670k associated with advice in relation to this claim.

During the period the Group settled legal claims in the US totalling £176k.

During the period the Group incurred £440k in restructuring and redundancy costs. Thes included £211k paid to Bob Holt, the former CEO, £76k of costs incurred in closing one of the Group's warehouse units and £153k on restructuring undertaken at Revolutions Beauty Labs, the Group's manufacturing subsidiary.

9. Borrowings

	31 August 2023 Unaudited £'000	31 August 2022 Unaudited £'000	28 February 2023 £'000
Bank revolving credit facility	31,807	27,637	31,721
	31,807	27,637	31,721
Payable within one year	31,807	27,637	31,721

10. Inventories

	31 August 2023 Unaudited £'000	31 August 2022 Unaudited £'000	28 February 2023 £'000
Finished goods and goods for resale	42,320	55,200	47,606
Stock written down/(written back) during period	(14,926)	3,510	(5,986)

The total cost of inventories recognised as an expense in cost of sale in the period was £45,673,000 (Period ended August 2022: £43,984,000, full year ended February 2023: £111,861,000).

11. Trade and Other Receivables

	31 August 2023 Unaudited £'000	31 August 2022 Unaudited £'000	28 February 2023 £'000
Trade Receivables	40,909	46,016	50,715
Other Receivables	364	2,527	452
Prepayments	2,097	4,601	1,541
	43,370	53,144	52,708

12. Trade and Other Payables

	31 August 2023 Unaudited £'000	31 August 2022 Unaudited £'000	28 February 2023 £'000
Trade Payables	38,995	59,295	56,233
Other Taxation and Social Security	1,044	1,467	826
Other Payables	60	503	51
Accruals and Contract Liabilities	25,790	21,797	25,597
	65,889	83,062	82,707

13. Contingent Liabilities

In February 2023 the Group terminated an arrangement with its Polish agent. The agent has submitted a claim for lost commission and costs as a result of the termination. The Group believes that is has performed its obligation under the arrangement and that no further commission is payable. The directors have taken legal advice with regard to this matter and currently believe that it is not probable that a material liability will arise.