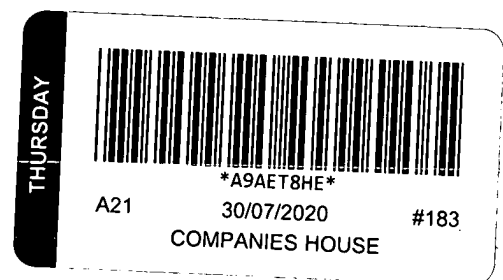


**Charlotte Tilbury Beauty Limited**

**Annual Report and Financial Statements  
for the Year Ended  
31 December 2019**



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### **Company Information**

<b>Directors:</b>	C E B Tilbury D Pinsent
<b>Registered Office:</b>	8 Surrey Street Temple London WC2R 2ND
<b>Registered Number:</b>	08037372 (England and Wales)
<b>Auditor:</b>	KPMG LLP 15 Canada Square Canary Wharf London E14 5GL

## Strategic Report

The directors present their strategic report of Charlotte Tilbury Beauty Limited (the “Company”) for the year ended 31 December 2019.

### Principal Activities

The principal activity of the Company in the year under review was the sale of skincare and cosmetic products, under the brand name Charlotte Tilbury.

### Review of Business

During the year, Charlottetilbury.com re-platformed with all website relaunches including the UK, Ireland and Europe occurring in stages from 27 February 2019 through to 16 April 2019.

On 29 August, wholly owned subsidiary Charlotte Tilbury Beauty Limited through their specialty distribution arrangement with Sephora Europe launched 53 doors, 205 end caps and online through Sephora.com in France with the largest door located on the Champs Elysee in Paris.

On 10 September 2019, wholly owned subsidiary Charlotte Tilbury Beauty Limited launched its first specialty distribution arrangement with Space NK, launching with 20 doors and online.

Across the Company by March 9 2020, all Bricks and Mortar doors had been closed, both owned and operated and Retailer doors, with the exception of few of doors in Hong Kong, as a result of Coronavirus. The Company was able to quickly pivot and move all revenue to online sources, particularly through Charlottetilbury.com. The Company continues to trade successfully in the face of COVID-19, with positive YOY Growth.

On 19 March 2020, the Company’s existing Invoice Financing facility increased from £10,000,000 to £15,000,000. On 20 March 2020, the Company’s existing Trade Financing facility with HSBC increased from £15,000,000 to £25,000,000.

On 15 May 2020, a multi-currency Revolving Credit Facility (RCF) to the value of £10,000,000 was signed between Islestarr Holdings Limited and Charlotte Tilbury Beauty Limited (the borrowers) and HSBC UK Bank plc.

On 23 June 2020, the entire issued share capital of Islestarr Holdings Limited was acquired by Charlotte Tilbury Limited, a subsidiary of Puig, S.L. As part of the transaction, Puig acquired a majority stake in the business and the Founder and CEO rolled-over a significant minority stake.

As shown in the profit and loss account on page 13, the Company’s turnover has increased significantly by 54% to £155.3m (2018: £100.9m) for the year under review. The Company achieved an EBITDA<sup>1</sup> result for the year of £6.3m (2018: £3.8m).

## Strategic Report (continued)

### Key Performance Indicators (“KPI’s”)

The Company's KPI's are as follows:

	2019 £000	2018 £000	Growth %
Turnover	155,268	100,908	53.9
Gross Margin (%)	62.8%	62.3%	
Profit Before Taxation	5,769	3,527	63.6
EBITDA <sup>1</sup>	6,306	3,781	66.8
Current Assets / Current Liabilities	1.1	1.1	
Average Number of Employees	582	479	21.4

<sup>1</sup> –EBITDA is calculated as being earnings before interest, tax, depreciation and amortisation.

### Reconciliation from Net Profit After Tax to EBITDA:

	2019 £000	2018 £000
Net Profit After Tax	4,654	3,530
Add Back:		
Interest Expense	372	158
Tax Expense / (Credit)	1,115	(2)
Depreciation	149	84
Amortisation	16	11
EBITDA	6,306	3,781

### Principal Risks and Uncertainties

The Company has appropriate processes in place to actively identify, manage and mitigate risks. Risks are constantly reviewed by the management of the Company and reported to the Board. The principal risks and uncertainties facing the Company are broadly grouped as market and legislative risks.

- **Coronavirus**

The most significant external risk facing the Company is the Coronavirus pandemic. As the full impact of the virus becomes more evident, the Company is focused on ensuring the safety and wellbeing of its customers, staff and partners. The Company has felt the impact of the temporary closure of the majority of their Bricks and Mortar doors and will continue to manage the ongoing risk of these doors and in particular the challenges that will arise as the doors begin to reopen.

To manage this ongoing risk the Company has been tightly managing their cash flow, taking action and putting in place measures to maintain sufficient liquidity to meet the businesses ongoing needs including the reduction of discretionary spend and focusing towards business needs to support trade throughout this time. The Company has not felt the impact of significant disruptions within their Supply Chain.

Management will continue to follow Government guidance with the wellbeing and safety of staff, customers and the wider community front of mind.

- **Market Risks**

In a market characterised by rapid product innovation, new market entrants, and changing consumer behaviour, the Company faces competitive pressures and is required to ensure that the product offering, channel distribution and marketing strategies remain relevant in a constantly changing market. The Company manages and mitigates these risks by investing significantly in new product development, continually reviewing the channel distribution, building strong relationships with wholesale partners, focusing on the consumer demand for credible expertise and education as well as adapting the way in which the brand communicates and engages with its customers.

## Strategic Report (continued)

### Principal Risks and Uncertainties (continued)

- **Legislative Risks**

On 23 June 2016, the UK electorate voted to discontinue its membership of the European Union. The UK Government further triggered article 50 on 29 March 2017 to start the formal process of leaving the EU. The UK formally left the EU on 31 January 2020 and entered a period of transition which is scheduled to end on 31 December 2020.

During this transition period the UK will effectively remain in the EU customs union and there is no specific duty or VAT impact expected during this period. The Brexit Committee meet periodically to manage Brexit related risks and to mitigate the impact of such risks on the business. Uncertainty remains over the customs arrangements which will be in place following the period of transition which could have a significant impact on the cost of EU imports.

While there will be commercial, operational and legal impacts from the UK's eventual exit from the EU, the ongoing uncertainty of the nature of the terms of a deal or whether the UK may leave without a deal make it difficult to determine the impact. Like most retailers, the Company has formed a Brexit committee to manage the risks and potential implication on all areas of the business, and to mitigate the potential impact of a no-deal Brexit. The ongoing uncertainty around Brexit has also negatively impacted consumer confidence making trade more difficult.

### Section 172 statement

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

### ON BEHALF OF THE BOARD:



Mrs D Pinsent - Director

Date: 14<sup>th</sup> July, 2020

## **Directors' Report**

The Directors present their report, together with the audited financial statements of the Company for the year ended 31 December 2019. Details of principal activities and performance can be found in the Strategic Report on pages 4-6.

### **Dividends**

No dividends will be distributed for the year ended 31 December 2019 (2018: £Nil).

### **Results**

The audited financial statements for the year ended 31 December 2019 are set out on pages 13 - 27. The profit for the year, after taxation, as detailed on the Profit and Loss on page 13, amounted to £4,653,566 (2018: £3,529,754).

### **Directors**

The current directors of the Company are shown on page 3. The directors shown below have held office during the whole of the period from 1 January 2019 to the date of this report.

Ms C E B Tilbury  
Mrs D Pinsent

The Company did not provide qualifying third-party indemnity provisions to its directors during the financial year and at the date of this report (2018: £Nil).

### **Employees**

Detail on the number of employees and related costs can be found in Note 3 of the financial statements. The Company gives full consideration to applications for employment from disabled persons where the candidate's aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion. Where existing employees become disabled, the Company's position is to continue employment wherever practicable in the same or an alternative position and to provide any necessary training required.

### **Political Donations and Expenditure**

The Company has not made any political donations or incurred any political expenditure during the financial year ended 31 December 2019 (2018: £Nil).

### **Events Since the Balance Sheet Date**

Details of events since the balance sheet date can be found in the Note 15.

### **Going Concern**

During 2019, the Company made a profit of £4.65m (2018: £3.53m), and as at the Balance Sheet date had a net current asset position of £13.71m (2018: £9.41m) and a net asset position of £14.73m (2018: £10.08m). Cash and cash equivalents totalled £6.37m (2018: £10.17m), with undrawn facilities totalling ~£10m.

In determining whether it is appropriate to adopt the going concern basis for the foreseeable future, consideration needs to be given towards Company performance during 2019 and performance subsequent to Balance Sheet date, with reference to trade in the face of the COVID-19 pandemic.

Following the UK entering lockdown in March 2020 and until the reopening of stores in June 2020 the Company moved solely to online sales in all of their key markets while stores and concessions were closed. In response to this the Company took a number of actions to manage liquidity and covenant compliance including securing additional financing by extending current Trade Financing to £25m and Receivables Financing to £15m, putting in place a £10m Revolving Credit Facility and therefore adding an additional £25m liquidity to the Balance Sheet, revising covenants, furloughing staff, carefully managing non-essential spend and entering into negotiations with landlords and suppliers.

## **Directors' Report (continued)**

### **Going Concern (continued)**

While the Company has seen Bricks and Mortar trade shut down nationally, the Company has managed to secure revenue via online channels, resulting in positive year on year growth and the achievement of latest estimates.

The Directors have considered the impact of COVID-19 carefully and have performed a detailed review of the Company's projected cash flows, committed facilities and the covenants within its borrowing facilities over a period which extended beyond 12 months from the date of these accounts. The approach included a review of the Company's financial position and performance, a range of scenarios with regard to trading performance and assumptions over FY20/21 including assumptions to reflect stress tested scenarios having regard to the principal risks and uncertainties faced by the business including specific consideration of the potential risks associated with COVID-19.

The scenarios set out the possible cash impact for different levels of sales. They then set out the measures which the business could take to control costs, conserve cash and meet its liabilities as they fall due. These severe but feasible scenarios assumed that consumer confidence does not return at all in FY20. Specifically, the severe but plausible case has modelled out prudent assumptions that did not have physical trade returning to pre COVID-19 levels until Q4 2021, having a significant and adverse impact on physical Bricks and Mortar trade. Expectations were adjusted to reflect the shift to online trade that has been seen by the Company since the start of the COVID-19 lockdown period. Additionally, the severe but plausible case reflected adjustments to the expectation of non-essential spend and reducing key areas of marketing spend to focus on returns that would promote online trade.

The Board reviewed the key assumptions across these scenarios which were designed to be severe but plausible, as well as the feasibility and reasonableness of the mitigations identified by the business. In assessing these cash flow forecasts, the Directors also reviewed the Company's committed borrowing and available facilities, and the covenants within its borrowing facilities over a twelve month period to 31 July 2021. Under both base case and severe but plausible scenarios, the Directors forecast sufficient headroom to meet the Company's liabilities as they fall due and comply with covenants. The approach was discussed and agreed by the Board of Directors with the Board concluding in its view, the going concern assumption is appropriate.

### **Financial Risk Management**

The Company's main exposure to financial risk is through liquidity, interest rate and currency risk exposure.

#### *Liquidity Risk*

The Company manages their financial risk by ensuring sufficient liquidity is available to meet foreseeable needs. Cash Flow is managed as part of their day to day operations and cash flow projections are used to determine drawdowns required on the working capital facilities.

#### *Interest Rate Risk*

The Company considers this risk to be small. All interest payments and receipts into the cash flow forecasts which are monitored.

#### *Foreign Currency Risk*

The Company is exposed to exchange rate (FX) movements through the sales and procurement cycle. The Company has procedures in place to monitor the FX impact on cash inflows and outflows as required.

### **Research & Development**

The Company did not undertake any research and development activities during the current or preceding year.

### **Employees**

The Company ensures that employees are informed of the Company's performance through periodic meetings and emails. The Company provides employees with regular information on matters as relevant to them through relevant communication channels and face-to-face meetings.



## **Directors' Report (continued)**

### **Engagement with suppliers, customers and others in a business relationship with the Company**

Positive and collaborative relationships with our customers, supplier and wholesale partners and other stakeholders are critical to the Company's ongoing success.

Customer relationships are at the core of the business. Learning from the customer will continue to be a key aspect in helping to form future strategy.

Supplier relationships are critical to achieving the level of quality of product our customers engage with. Long term supplier relationships are critical to the Company's ongoing success.

### **Likely Future Developments**

The Company will continue to pursue its strategic plan, including growth in existing and new markets while increasing its digital footprint.

### **Statement as to Disclosure of Information to Auditor**

So far as the Directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Company's auditor is unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

### **Auditor**

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

### **ON BEHALF OF THE BOARD:**



Mrs D Pinsent - Director

Date: 14<sup>th</sup> July, 2020

8 Surrey Street, London, WC2R 2ND  
Company Registered Number: 07712458

## **Statement of Directors' Responsibilities in Respect of the Strategic Report, the Directors' Report and the Financial Statements**

The Directors are responsible for preparing the Strategic Report, 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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including *FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the 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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



## **Independent Auditor's Report to the Members of Charlotte Tilbury Beauty Limited**

### **Opinion**

We have audited the financial statements of Charlotte Tilbury Beauty Limited ("the company") for the year ended 31 December 2019 which comprise the Profit and Loss Account, Statement of Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### **Going concern**

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

### **Strategic report and directors' report**

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.



## **Independent Auditor's Report to the Members of Charlotte Tilbury Beauty Limited (continued)**

### **Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

### **Directors' responsibilities**

As explained more fully in their statement set out on page 10, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities**

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

### **The purpose of our audit work and to whom we owe our responsibilities**

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.

**Aimie Keki (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
15 Canada Square  
London  
E14 5GL

14 July 2020

**Profit and Loss Account  
for the Year Ended 31 December 2019**

	Notes	31.12.19 £	31.12.18 £
<b>Turnover</b>	2	<b>155,268,379</b>	100,908,315
Cost of Sales		(57,745,187)	(38,058,543)
<b>Gross Profit</b>		<b>97,523,192</b>	62,849,772
Administrative Expenses		(91,441,457)	(59,612,230)
Other Operating Income		59,571	448,152
<b>Operating Profit</b>	4	<b>6,141,306</b>	3,685,694
Interest Payable and Similar Expenditure	10	(378,200)	(158,358)
Interest Receivable and Similar Income		5,679	-
<b>Profit Before Taxation</b>		<b>5,768,785</b>	3,527,336
Tax (Expense) / Credit on Profit	5	(1,115,219)	2,418
<b>Profit for the Financial Year</b>		<b>4,653,566</b>	3,529,754

The operating profit for the year arises from the Company's continuing operations.

**Statement of Other Comprehensive Income  
for the Year Ended 31 December 2019**

	<b>31.12.19</b>	<b>31.12.18</b>
	<b>£</b>	<b>£</b>
<b>Profit for the Financial Year</b>	<b>4,653,566</b>	<b>3,529,754</b>
Other Comprehensive Income	-	-
<b>Total Comprehensive Income for the Year</b>	<b>4,653,566</b>	<b>3,529,754</b>

The notes on pages 17 - 27 form part of these financial statements

**Balance Sheet**  
**As at 31 December 2019**

	Notes	31.12.19 £	£	31.12.18 £	£
<b>Fixed Assets</b>					
Intangible Assets	6		298,909		72,328
Tangible Assets	7		807,160		625,392
			<u>1,106,069</u>		<u>697,720</u>
<b>Current assets</b>					
Stocks	8	35,428,434		12,820,823	
Debtors: Amounts Falling Due Within One Year	9	239,456,836		135,433,907	
Cash at Bank and in Hand		6,370,182		10,165,391	
		<u>281,255,452</u>		<u>158,420,121</u>	
<b>Creditors</b>					
Amounts Falling Due Within One Year	10	(267,544,351)		(149,007,965)	
<b>Net Current Assets</b>			<u>13,711,101</u>		<u>9,412,156</u>
<b>Total Assets Less Current Liabilities</b>			<u>14,817,170</u>		<u>10,109,876</u>
<b>Provisions for Liabilities</b>	12		(88,343)		(34,615)
<b>Net Assets</b>			<u>14,728,827</u>		<u>10,075,261</u>
<b>Capital and Reserves</b>					
Called Up Share Capital	13		1		1
Retained Earnings			14,728,826		10,075,260
<b>Shareholders' Funds</b>			<u>14,728,827</u>		<u>10,075,261</u>

The financial statements were approved by the Board of Directors on 14<sup>th</sup> July, 2020 and were signed on its behalf by:



Mrs D Pinsent – Director  
Company Registered Number: 08037372

The notes on pages 17 - 27 form part of these financial statements

**Statement of Changes in Equity  
for the Year Ended 31 December 2019**

	<b>Called Up Share Capital £</b>	<b>Retained Earnings £</b>	<b>Total Equity £</b>
At 1 January 2018	1	6,545,506	6,545,507
Total Comprehensive Income	-	3,529,754	3,529,754
At 31 December 2018	1	10,075,260	10,075,261
Total Comprehensive Income	-	4,653,566	4,653,566
At 31 December 2019	1	14,728,826	14,728,827

The notes on pages 17 - 27 form part of these financial statements



## Notes to the Financial Statements for the Year Ended 31 December 2019

### 1. Accounting Policies

#### 1.1 Basis of Preparation of Financial Statements

Charlotte Tilbury Beauty Limited (the “Company”) is a private company incorporated, domiciled and registered in England in the UK. The registered number is 08037372 and the registered address is 8 Surrey Street, Temple, London, WC2R 2ND.

The financial statements have been prepared in accordance with Financial Reporting Standard 102 ‘The Financial Reporting Standard applicable in the UK and Republic of Ireland’ (“FRS 102”). The presentation currency of these financial statements is sterling (£), unless otherwise stated, all amounts are stated in sterling and rounded to the nearest £1.

The Company’s ultimate parent undertaking, Islestarr Holdings Limited, includes the Company in its consolidated financial statements. The consolidated financial statements of Islestarr Holdings Limited are available to the public and may be obtained from 8 Surrey Street, Temple, London, WC2R 2ND. In these financial statements, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of Islestarr Holdings Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- certain disclosures required by FRS 102.26 Share Based Payments; and
- the disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

#### 1.2 Going Concern

During 2019, the Company made a profit of £4.65m (2018: £3.53m), and as at the Balance Sheet date had a net current asset position of £13.71m (2018: £9.41m) and a net asset position of £14.73m (2018: £10.08m). Cash and cash equivalents totalled £6.37m (2018: £10.17m), with undrawn facilities totalling ~£10m.

In determining whether it is appropriate to adopt the going concern basis for the foreseeable future, consideration needs to be given towards Company performance during 2019 and performance subsequent to Balance Sheet date, with reference to trade in the face of the COVID-19 pandemic.

Following the UK entering lockdown in March 2020 and until the reopening of stores in June 2020 the Company moved solely to online sales in all of their key markets while stores and concessions were closed. In response to this the Company took a number of actions to manage liquidity and covenant compliance including securing additional financing by extending current Trade Financing to £25m and Receivables Financing to £15m, putting in place a £10m Revolving Credit Facility and therefore adding an additional £25m liquidity to the Balance Sheet, revising covenants, furloughing staff, carefully managing non-essential spend and entering into negotiations with landlords and suppliers.

While the Company has seen Bricks and Mortar trade shut down nationally, the Company has managed to secure revenue via online channels, resulting in positive year on year growth and the achievement of latest estimates.

The Directors have considered the impact of COVID-19 carefully and have performed a detailed review of the Company’s projected cash flows, committed facilities and the covenants within its borrowing facilities over a period which extended beyond 12 months from the date of these accounts. The approach included a review of the Company’s financial position and performance, a range of scenarios with regard to trading performance and assumptions over FY20/21 including assumptions to reflect stress tested scenarios having regard to the principal

## **1. Accounting Policies (continued)**

### **1.2 Going Concern (continued)**

risks and uncertainties faced by the business including specific consideration of the potential risks associated with COVID-19.

The scenarios set out the possible cash impact for different levels of sales. They then set out the measures which the business could take to control costs, conserve cash and meet its liabilities as they fall due. These severe but feasible scenarios assumed that consumer confidence does not return at all in FY20. Specifically, the severe but plausible case has modelled out prudent assumptions that did not have physical trade returning to pre COVID-19 levels until Q4 2021, having a significant and adverse impact on physical Bricks and Mortar trade. Expectations were adjusted to reflect the shift to online trade that has been seen by the Company since the start of the COVID-19 lockdown period. Additionally, the severe but plausible case reflected adjustments to the expectation of non-essential spend and reducing key areas of marketing spend to focus on returns that would promote online trade.

The Board reviewed the key assumptions across these scenarios which were designed to be severe but plausible, as well as the feasibility and reasonableness of the mitigations identified by the business. In assessing these cash flow forecasts, the Directors also reviewed the Company's committed borrowing and available facilities, and the covenants within its borrowing facilities over a twelve month period to 31 July 2021. Under both base case and severe but plausible scenarios, the Directors forecast sufficient headroom to meet the Company's liabilities as they fall due and comply with covenants. The approach was discussed and agreed by the Board of Directors with the Board concluding in its view, the going concern assumption is appropriate.

### **1.3 Judgements and Key Sources of Estimation Uncertainty**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The items in the financial statements where these estimates have been made include:

#### *Stock Provisions*

Where necessary, a provision is made for obsolete and slow-moving stock. A provision is based on their probable net realisable value, estimated on the basis of historical and projected data.

#### *Tangible Fixed Assets*

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as product life cycles and promotional or marketing activity are taken into account.

### **1.4 Foreign Currency**

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

### **1.5 Interest Income and Expenses**

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method.

## 1. Accounting Policies (continued)

### 1.6 Turnover

Turnover is measured at the fair value of the consideration received or receivable net of value added tax ("VAT") and trade discounts. Turnover from the sale of goods is recognised when significant risks and rewards of ownership of the goods have transferred to the buyer, the amount of turnover can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Company and the costs incurred or to be incurred in respect of the transaction can be measured reliably. This is usually at the point the customer has taken delivery of the goods.

### 1.7 Intangible Fixed Assets

Intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred.

Product development costs are recognised as an intangible asset when all of the following criteria are demonstrated:

- the technical feasibility of completing the product so that it will be available for use or sale;
- the intention to complete the product and use or sell it;
- the ability to use the product or to sell it;
- how the product will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the product; and
- the ability to measure reliably the expenditure attributable to the development of the product.

Amortisation is charged so as to allocate the cost of intangibles less their residual values over their estimated useful lives, using the straight-line method. The intangible assets are amortised over the following useful economic lives:

Patents and Licences	5 - 10 years
Product Development Costs	5 years
Website Development Costs	5 years

If there is an indication that there has been a significant change in amortisation rate or residual value of an asset, the amortisation of that asset is revised prospectively to reflect the new expectations.

### 1.8 Tangible Fixed Assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, over their expected useful economic lives on a straight-line basis, except where otherwise indicated. The principal annual rates used for this purpose are as follows:

Plant and Machinery	- 25% on reducing balance, or 20% - 33% on cost
Furniture and Fittings	- 33% on cost

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Tangible fixed assets not currently available for use are categorised as work in progress and will commence depreciation over its useful life from the date the asset is available for use.

### 1.9 Impairment of Assets

At each reporting date fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

## **1. Accounting Policies (continued)**

### **1.9 Impairment of Assets (continued)**

If an impairment loss subsequently reverses, the carry amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

### **1.10 Cash and Cash Equivalents**

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

### **1.11 Stocks**

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing stock to its present location and condition. Cost is calculated using the first-in, first-out formula. Provision is made for damaged, obsolete and slow-moving stock where appropriate.

### **1.12 Basic Financial Instruments**

#### *Trade and Other Debtors / Creditors*

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

### **1.13 Provision for Liabilities**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises. The Company recognises a provision for holiday leave accrued by employees as a result of services rendered in the current period, and which employees are entitled to carry forward and use within the next 12 months. The provision is measured at the expected salary cost payable over the next 12 months and includes an amount for on costs such as employer's national insurance.

### **1.14 Taxation**

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

## 1. Accounting Policies (continued)

### 1.14 Taxation (continued)

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for:

- differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and
- differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference.

Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

## 2. Turnover

Turnover, analysed geographically between markets, is as follows:

	31.12.19 £	31.12.18 £
UK	142,663,057	93,687,815
Rest of the World	12,605,322	7,220,500
	<b>155,268,379</b>	<b>100,908,315</b>

Turnover in the year is derived solely from the sale of goods.

## 3. Staff Numbers and Costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	31.12.19	31.12.18
Sales Staff	582	479

The aggregate payroll costs of these persons were as follows:

	31.12.19 £	31.12.18 £
Wages and Salaries	9,908,584	8,162,917
Pensions	230,191	138,222
Social Security Costs	1,200,048	883,184
	<b>11,338,823</b>	<b>9,184,323</b>

Current and prior year directors' emoluments were borne by the Company's ultimate parent, Islestarr Holdings Limited. The amount attributable to services provided in relation to the Company is considered to be £380,000 (2018: £184,000) of which £219,000 (2018: £163,000) relates to the highest paid Director. Company pension contributions attributable are £4,300 (2018: £2,800) of which £4,000 (2018: £2,600) relates to the highest paid Director.

## 4. Operating Profit and Auditor's Remuneration

Included in the profit/loss are the following:

	31.12.19 £	31.12.18 £
Depreciation	148,562	84,400
Amortisation	15,994	11,345
Loss on Disposal of Fixed Assets	107,101	-
Auditor's Remuneration	36,000	22,000
Direct Foreign Exchange (Gains) / Losses	<b>(1,814,140)</b>	<b>487,683</b>

The Company does not have any operating lease commitments.

## 5. Taxation

The tax expense on the profit on ordinary activities for the year was as follows:

	31.12.19		31.12.18
	£	£	£
<i>Current tax</i>			
Current tax on income for the period	1,051,190		-
Adjustments in respect of prior periods	14,616		-
Double taxation relief	(4,315)		-
Total current tax	1,061,491		-
<i>Deferred tax (see note 12)</i>			
Origination and reversal of timing differences	54,507		(1,734)
Adjustments in respect of prior periods	(779)		(684)
Total deferred tax	53,728		(2,418)
Total Tax Expense / (Benefit)	1,115,219		(2,418)

### Reconciliation of total tax expense included in profit and loss

Factors affecting the tax expense for the current period:

- The current tax credit for the period is higher than (2018: lower than) the standard rate of corporation tax in the UK.

The differences are explained below.

	31.12.19	31.12.18
	£	£
Profit Before Tax	5,768,785	3,527,336
Total Tax at 19.00%	1,096,072	670,194
Effects of:		
Expenses not Deductible for Tax Purposes	3,063	850
Impact of Rate Difference Between Deferred and Current Tax	(6,412)	204
Adjustments in Respect of Previous Periods	22,496	(684)
Group Relief not Paid for / Excess Paid for Group Relief	-	(672,982)
Total Tax Expense / (Benefit)	1,115,219	(2,418)

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016, and the UK deferred tax liability as at 31 December 2019 has been calculated based on this rate.

The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020. This will increase the company's future current tax charge accordingly and increase the deferred tax liability by £10,394.

## 6. Intangible Fixed Assets

	Patents and Licences £	Product Development Costs £	Website Development Costs £	Total £
<b>COST</b>				
At 1 January 2019	33,305	56,655	15,954	105,914
Additions	-	8,850	233,726	242,576
At 31 December 2019	<b>33,305</b>	<b>65,505</b>	<b>249,680</b>	<b>348,490</b>
<b>AMORTISATION</b>				
At 1 January 2019	6,660	20,545	6,382	33,587
Amortisation for Year	3,331	9,472	3,191	15,994
At 31 December 2019	<b>9,991</b>	<b>30,017</b>	<b>9,573</b>	<b>49,581</b>
<b>NET BOOK VALUE</b>				
At 31 December 2019	<b>23,314</b>	<b>35,488</b>	<b>240,107</b>	<b>298,909</b>
At 31 December 2018	26,645	36,111	9,572	72,328

As at 31 December 2019, HSBC has fixed and floating charges over all assets and undertaking of the Company, including all present and future freehold and leasehold property, book and other debts, chattels, goodwill and uncalled capital, both present and future.

## 7. Tangible Fixed Assets

	Fixtures and Fittings £	Plant and Machinery £	Assets Under Construction £	Total £
<b>COST</b>				
At 1 January 2019	18,000	567,434	227,987	813,421
Additions	15,600	210,049	211,782	437,431
Transfers	-	116,012	(116,012)	-
Disposals	-	-	(107,101)	(107,101)
At 31 December 2019	<b>33,600</b>	<b>893,495</b>	<b>216,656</b>	<b>1,143,751</b>
<b>DEPRECIATION</b>				
At 1 January 2019	4,000	184,029	-	188,029
Expense for Year	9,900	138,662	-	148,562
At 31 December 2019	<b>13,900</b>	<b>322,691</b>	<b>-</b>	<b>336,591</b>
<b>NET BOOK VALUE</b>				
At 31 December 2019	<b>19,700</b>	<b>570,804</b>	<b>216,656</b>	<b>807,160</b>
At 31 December 2018	14,000	383,405	227,987	625,392

As at 31 December 2019, HSBC has fixed and floating charges over all assets and undertaking of the Company, including all present and future freehold and leasehold property, book and other debts, chattels, goodwill and uncalled capital, both present and future.



**8. Stocks**

	31.12.19 £	31.12.18 £
Work in Progress	7,975,357	1,158,146
Finished Goods	28,404,419	12,435,997
Stock provisions	(951,342)	(773,320)
	<u>35,428,434</u>	<u>12,820,823</u>

There is no significant difference between the replacement cost of finished goods and their carrying amounts. Finished goods recognised in cost of sales amounted to £26,598,236 (2018: £16,285,989).

**9. Debtors**

	31.12.19 £	31.12.18 £
Amounts Falling Due Within One Year:		
Trade Debtors	14,839,510	14,668,239
Amounts Owed by Group Undertakings	220,042,996	116,512,611
Corporation Tax Debtor	-	30,754
Prepayments and Accrued Income	4,574,330	4,222,303
	<u>239,456,836</u>	<u>135,433,907</u>

**Amounts Owed by Group Undertakings**

Amounts owed by Group undertakings are on interest free terms and are payable on demand.

**10. Creditors: Amounts Falling Due Within One Year**

	31.12.19 £	31.12.18 £
Trade Creditors	5,172,525	2,524,129
Amounts Owed to Group Undertakings	211,921,584	119,845,778
Corporate Tax Liability	1,005,521	-
Social Security and Other Taxes	23,614,152	7,453,518
Other Creditors	8,008,838	5,635,523
Trade Finance Liability	14,025,346	10,668,482
Accrued Expenses and Deferred Income	3,796,385	2,880,535
	<u>267,544,351</u>	<u>149,007,965</u>

**Amounts Owed to Group Undertakings**

Amounts owed to Group undertakings are on interest free terms and are payable on demand.

**Trade Finance Liability**

Trade finance facility is an interest-bearing facility which is payable on demand. Interest is payable monthly. Details of the secured trade finance liability are below at Note 11. The associated interest expense is £331,107 (2018: £118,280).

The remaining interest expense of £47,093 (2018: £40,078), as disclosed on the Profit and Loss, relates to interest charged on debtor financing facility.

## 11. Secured Debts

At end of 2019, HSBC holds a debenture for the provision to the Company for a £15,000,000 trade finance facility, £10,000,000 receivable finance facility and £500,000 overdraft facility. The debenture comprises fixed and floating charges over all assets and undertaking of ultimate parent of the Company, Islestarr Holdings Limited including all present and future freehold and leasehold property, book and other debts, chattels, goodwill and uncalled capital, both present and future.

An unlimited composite guarantee is in place, given by Islestarr Holdings Limited and Charlotte Tilbury Beauty Limited (the Company) to secure all liabilities of each other.

## 12. Provisions for Liabilities

	Deferred Tax £
Balance at 1 January 2019	34,615
Provisions Made During the Year	53,728
Provisions Reversed During the Year	-
<b>Balance at 31 December 2019</b>	<b>88,343</b>

The deferred tax liability relates accelerated capital allowances and short term temporary timing differences.

## 13. Called Up Share Capital

Allotted, issued and fully paid:

Number:	Class:	Nominal Value:	31.12.19 £	31.12.18 £
1 (2018: 1)	Ordinary	£1	1	1

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

## 14. Ultimate Parent Company

The Company is a subsidiary of Islestarr Holdings Limited. Islestarr Holdings Limited is regarded by the directors as being the Company's ultimate parent company.

The ultimate parent undertaking and the smallest and largest group to consolidate these financial statements is Islestarr Holdings Limited. Copies of the Islestarr Holdings Limited consolidated financial statements can be obtained from the website for Companies House or alternatively from the company secretary at Islestarr Holdings Limited at 8 Surrey Street, Temple, London, WC2R 2ND.

## 15. Events After Reporting Date

Across the Company by March 9 2020, all Bricks and Mortar doors had been closed across the Company, both owned and operated and Retailer doors, with the exception of few of doors in Hong Kong, as a result of Coronavirus. The Company was able to quickly pivot and move all revenue to online sources, particularly through Charlottetilbury.com. The Company continues to trade successfully in the face of COVID-19, with positive YOY Growth.

On 19 March 2020, the Company's existing Invoice Financing facility increased from £10,000,000 to £15,000,000. On 20 March 2020, the Company's existing Trade Financing facility with HSBC increased from £15,000,000 to £25,000,000.

On 15 May 2020, a multi-currency Revolving Credit Facility (RCF) to the value of £10,000,000 was signed between Islestarr Holdings Limited and Charlotte Tilbury Beauty Limited (the borrowers) and HSBC UK Bank plc.

**15. Events After Reporting Date (continued)**

On 23 June 2020, the entire issued share capital of Islestarr Holdings Limited was acquired by Charlotte Tilbury Limited, a subsidiary of Puig, S.L. As part of the transaction, Puig will acquire a majority stake in the business and the Founder and CEO will roll-over a significant minority stake.

As at the date of signing these accounts, it is not possible to reliably quantify the impact of COVID-19 on the Company's significant estimates including tangible fixed assets and stock provisioning. The Company considers the pandemic to be a wide reaching, but isolated event, whose short-term impact on performance is not necessarily indicative of an underlying diminution of asset carrying value. The carrying value of significant estimates will be reassessed for the year ended 31 December 2020 and the effects of future growth and profitability being below expectations, may have a material impact on impairment charges in future years.

**16. Related Party Disclosures**

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', not to disclose related party transactions with wholly owned subsidiaries within the Group.

Certain family members of Charlotte Tilbury, a director of the Company, are employed by the Company or consult for the Company. The remuneration paid to these family members are based on an arm's length basis and amounted to £nil (2018: £nil) in the current year.

**17. Ultimate Controlling Party**

The ultimate controlling party is Ms C E B Tilbury.

Subsequent to year end, on the 23 June 2020, the Ultimate Controlling Party has become Puig, S.L.