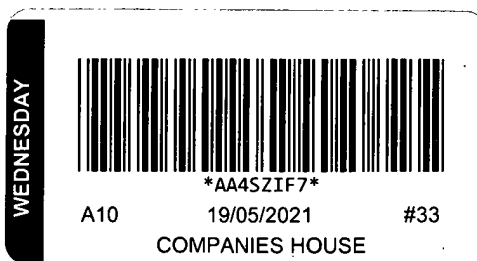


# Hotspring Ventures Limited

Registered Number 06457679

Consolidated Financial Statements

For the Year Ended 31 December 2019



# **Hotspring Ventures Limited**

## **Directors, officers and advisers**

### **Directors**

Lopo Champalimaud (resigned 31 December 2019)  
Benjamin Leaver (resigned 31 December 2019)  
Keisuke Kaji (appointed 1 January 2020, resigned 31 January 2021)  
Lauren Burns (appointed 1 January 2020, resigned 31 January 2021)  
Kazumasa Watanabe (resigned 24 June 2020)  
Hidetaka Kawashima (resigned 24 June 2020)  
Giampiero Marino (appointed 28 January 2021)  
Andrea Piccioni (appointed 31 January 2021)

### **Registered Office**

Fairfax House  
15 Fulwood Place  
London WC1V 6HU

### **Auditor**

Ernst & Young LLP  
1 More London Place  
London SE1 2AF

---

# **Hotspring Ventures Limited**

## **Table of contents**

	<i>Page</i>
Directors, officers and advisers	1
Table of contents	2
Strategic Report	3-7
Directors' Report	8-11
Independent Auditor's Report	12-13
Consolidated Statement of Comprehensive Income	14
Consolidated Statement of Financial Position	15
Consolidated Statement of Changes in Equity	16
Consolidated Statement of Cash Flows	17
Notes to the Consolidated Financial Statements	18-48
Parent Company Statement of Financial Position	49
Parent Company Statement of Changes in Equity	50
Notes to the Parent Company Financial Statements	51-62

# Hotspring Ventures Limited

## Strategic Report

For the Year Ended 31 December 2019

### Introduction

Hotspring Ventures Limited (the 'parent company') and its subsidiaries (the 'group') operate an online marketplace for hair and beauty services by providing a booking platform by which customers can discover, book, manage and pay for appointments at hair and beauty salons and spas in the UK & Europe.

The group also provides software to hair and beauty salons to help them manage their businesses. They can manage all of their appointments using the software, which then represents real time availability to customers on the marketplace. The software also allows salons to manage stock, employee rotas and communicate with their customers via marketing emails and SMS.

The group, which trades under the brand name Treatwell, is transforming how the hair and beauty industry connects with its clients and how customers discover and book hair and beauty services.

### Business Review

In 2019, the focus was on ever improving product market fit, scaling the base of active customers and salons and pursuing operational excellence and efficiency.

Revenues for the financial year increased by £11m to £34.8m (2018 revenue: £23.8m), driven by growth in all markets.

The net loss after tax for the financial year was £56.5m (2018: £38.0m).

The operating loss for the year was £56.4m (2018: £38.7m). The group continued to invest heavily in staff and marketing costs in all markets, with an emphasis on improving unit economics and efficiency, an investment strategy supported by the directors given the stage of development and growth of the group's business units. During the year, there was also impairment of goodwill of £8m recorded due to the value set by the subsequent change of ownership of the group, an adverse FX impact of £4m and depreciation on right-of-use assets for the first time of £1m, contributing to the increased loss for the year.

The adoption of the new accounting standard IFRS 16 'Leases' has also resulted in £7.1m of right-of-use assets and £7.7m of lease liabilities shown on the balance sheet for the first time.

The group's goal is to be the world's leading online marketplace for hair and beauty services. The directors are committed to making further investments in the future that will allow the group to accelerate growth in its existing markets and expand into new markets, where appropriate.

The parent company revenues for the financial year increased by £4.6m to £16.7m (2018 revenue: £12.1m), driven by the increasing customer base in the UK market.

The parent company net loss after tax for the financial year was £104.0m (2018: £28.1m). £58.4m and £10.1m of this increase in the loss for the year related to an impairment of intercompany loans and investments in subsidiaries respectively.

### Principal Risks and Uncertainties

#### *Business Risks*

##### *Competition risk*

There is competition in some markets in which the group operates, but it is fragmented. In June 2020 the group was acquired by the Real Web S.A. group, which owns Uala; our largest competitor in Italy, France and Spain. This has further solidified our market position in these markets. The directors continue to be opportunistic about reviewing prospects for both organic and inorganic expansion in Europe and beyond.

##### *Brexit*

On 23 June 2016, the UK held a referendum on the UK's continuing membership of the EU, the outcome of which was a decision for the UK to leave the EU (Brexit). On 31 January 2020 the UK left the EU and entered a transitional period that ended on 31 December 2020.

# Hotspring Ventures Limited

## Strategic Report

For the Year Ended 31 December 2019

### Principal Risks and Uncertainties (continued)

#### *Business Risks (continued)*

##### *Brexit (continued)*

Brexit has had limited effects on the group as cross border transactions are limited to funding and the recharging of costs. The group's largest risk around Brexit is the impact on the foreign exchange rate. However, this has been mitigated by the EU-UK trade deal being agreed prior to the end of the transitional period that helped to ease market volatility in exchange rates.

##### *COVID-19*

The COVID-19 pandemic, also known as the coronavirus pandemic, is an ongoing pandemic of coronavirus disease 2019 (COVID-19). The disease was first identified in December 2019 and The World Health Organization declared the outbreak a Public Health Emergency of International Concern on 30 January 2020, and subsequently a pandemic on 11 March 2020. This has been treated as a non-adjusting subsequent event in these financial statements.

The COVID-19 pandemic, with its associated lock-downs, has materially impacted business performance as all hair and beauty salons in our current markets have been closed on and off throughout various lockdowns. This has increased our business risk due to the reliance on the hair and beauty industry being open, however the risks have been mitigated by various cost saving measures put in place across the group, along with the diversification of our salons across multiple markets.

During the associated lock-downs, the group received government aid for employment costs in most markets, with total savings from this support estimated at £1m for the 2020 financial year. Along with the government aid received, the group brought forward planned restructuring and relocating of certain teams and a company wide review of all teams for efficiencies, resulting in reduced headcount and associated annual savings of ~£4.9m. The group also made impactful reductions to variable costs with a view to reduce costs as much as possible during this period and in the future.

There remains uncertainty around the future trajectory of the pandemic, some level of social distancing measures are likely to be in place for the foreseeable future, impacting the capacity and economics of our salons, however with vaccines now being widely distributed, salons remaining open is looking more promising.

#### *Financial Instrument Risks*

##### *Liquidity risk*

The group has no bank loans outstanding, however is reliant on the support of its ultimate parent company, Real Web S.A., to provide funding until the group reaches profitability.

##### *Foreign exchange risk*

The group's activities expose it to foreign exchange risk as, when owned by Recruit Holdings Co. Ltd, the parent company's funding was denominated in Sterling whereas a significant amount of the investment was made in Euros. Since June 2020, the new parent, Real Web Ventures Limited, has funded the group in Euros, mitigating the foreign exchange risk going forward. The group's policy is, where possible, to allow group entities to settle liabilities denominated in their functional currency with the cash generated from their own operations in that currency.

The group aims to fund expenses and investments in the respective currency and therefore to manage foreign exchange risk at a local level by matching the currency in which revenue is generated and expenses are incurred.

##### *Credit risk*

As the group continues to grow, its credit risk, primarily attributable to trade receivables due from salon partners, is also expected to grow. Generally, the group benefits from a favourable working capital cycle, as when bookings are prepaid the payment received by the group reduces any trade receivable position between the group and the relevant salon partner. A provision for Expected Credit Losses is included on a monthly basis in respect of aged trade receivables and the appropriateness of the level of the provision is reviewed regularly.

For the parent company, credit risk also arises from loans receivable from group companies. These are reviewed for impairment annually with any impairment recorded in the statement of comprehensive income. During the year, these loans were provided for in full.

# Hotspring Ventures Limited

## Strategic Report

For the Year Ended 31 December 2019

### Stakeholder engagement and s.172(1) statement

This section of the Strategic Report describes how the directors have had regard to the matters set out in section 172(1) (a) to (f), and forms the directors' statement required under section 414CZA, of the Companies Act 2006.

For periods beginning on or after 1 January 2019, all large companies must include a separate statement within their strategic report that explains how directors considered the interests of key stakeholders and the broader matters set out in section 172 ("s172") of the Companies Act 2006 when performing their duty to promote the success of the company. This includes considering the interests of other Stakeholders who will have an impact on the long-term success of the company. The directors of the company are aware of and acknowledge their duty under section 172 of the Act. This s172 statement, reported for the first time in the strategic report for the year ended 31 December 2019, explains how the Directors considered the following matters:

- a) the likely consequences of any decision in the long term,
- b) the interests of the group's employees,
- c) the need to foster the group's business relationships with suppliers, customers and others,
- d) the impact of the group's operations on the community and the environment,
- e) the desirability of the group maintaining a reputation for high standards of business conduct,
- f) the need to act fairly as between members of the group

The s172 statement focuses on matters of strategic importance and the level of information disclosed is consistent with the size and complexity of the business.

### *Stakeholders and General Confirmation of Directors' Duties*

Stakeholders are at the heart of the group's strategy and business model. Engaging with them helps us understand their evolving needs and improves our strategic decision-making process. We have identified six key stakeholder groups critical to the group's future success: employees, salons, individual marketplace users, suppliers/strategic partners, communities (and the environment), and shareholders. We take pride in the fact that our products and services are helping thousands of small businesses across Europe to create a more efficient and sustainable working practice in the health and beauty industry.

#### *a) The likely consequences of any decision in the long term*

The group's purpose is to make booking beauty, styling and wellness appointments simple, effortless and fast – around the clock. With this purpose, the focus of the group and the Directors is on the following key strategic choices:

- Support the growth of and empower all employees
- Frictionless payments for any appointment
- Conveniently and fairly manage any appointment
- Empower salons with online retention tools
- Make 'Connect', Treatwell's online booking management software for salons, the most popular tool for salon owners
- Partners can start using Connect anytime, anywhere

The Directors have a clear delegation of authority framework for determining the matters within their remit and has approved limits for the matters delegated to their executive and management teams. When making decisions each Director ensures that he/she acts in the way that he/she considers, in good faith, would most likely promote the group's success for the benefit of the stakeholders. The Directors are constantly conscious of their responsibilities to both the salons and individuals who are a part of the Treatwell community and make strategic decisions with the best interests of both parties in mind.

#### *b) The interests of the group's employees*

The Directors recognise that the group's employees are fundamental and core to our business and delivery of our strategic ambitions. The success of our business depends on attracting, retaining and motivating employees.

From ensuring that we remain a responsible employer to pay and benefits and our health, safety and workplace environment, the Directors factor the implication of decisions on employees and the wider workforce where relevant and feasible.

# HotSpring Ventures Limited

## Strategic Report

For the Year Ended 31 December 2019

### Stakeholder engagement and s.172(1) statement (continued)

#### *b) The interests of the group's employees (continued)*

The Directors and management review the findings of the group's annual employment survey each year and run more regular surveys seeking specific employee feedback throughout the year. These surveys are a key tool to measure employee engagement, motivation and commitment to the group. It provides insight into employee views and is used by the Directors and management team to strengthen the group's culture and values.

The group runs monthly meetings in which the Directors and management provide all employees a strategic update and information on any matters of concern. Employees have the opportunity to participate in open Q&A on the call with Directors and management, these calls are typically recorded and are available to employees for playback on demand.

#### *c) The need to foster the group's business relationships with suppliers, customers and others*

Fostering business relationships with key stakeholders, such as customers and suppliers, is also important to the success of the group. The group considers customers to be the salon partners, suppliers are made up of a number of various vendors, the group also has a key business relationship with the individual users of the Treatwell marketplace. These relationships are largely delegated to the management of the group, while the Directors closely monitor metrics and engage with the leadership team if performance is not meeting expectations.

Management set, review and monitor sales team incentives in order to achieve the group's strategic objectives. During the year emphasis was placed on the marketplace both in terms of increasing the number of salon partners and individual users of the marketplace. The group's salon partners are one of its most important stakeholders, in an environment where needs are rapidly evolving, we consider salon engagement as a key element for success of the group and have a dedicated CX team to engage with and resolve issues for partner salons. Management regularly review CX team performance, monitoring numbers of tickets raised by salon partners and how quickly these are resolved.

The impact of the above strategic decisions resulted in a 68% increase in total marketplace orders in the 2019 year to 6.4m (2018: 3.8m).

#### *d) The impact of the group's operations on the community and the environment*

The group is committed to operating its business throughout all regions in which the group conducts business in a manner that reflects the highest standards of ethics and integrity and meets or exceeds applicable environmental, health and safety laws and regulations. The group values continuous improvement in its ongoing efforts to implement and communicate effective management systems that help to protect environmental, health and safety interests.

The group's managers and employees and are all actively involved in sharing the responsibility to abide by its environmental, health and safety policies and practices and apply them to their jobs.

The group's high commitment to environmental, health and safety standards extend to its partner salons and the management team are selective over which salons the group partners with, to ensure that any partner salons hold the same high standards.

The group ran sustainability campaigns during the year encouraging both individuals and salons to consider the impact of single-use beauty products and actively partnered with an increasing number of vegan friendly salons. The group are proud to help thousands of small salon businesses move away from paper based systems to the Treatwell connect app, reducing paper waste and making it easier for small business owners to manage their company, customers and finances in a sustainable and efficient way.

# Hotspring Ventures Limited

## Strategic Report

For the Year Ended 31 December 2019

### Stakeholder engagement and s.172(1) statement (continued)

#### *e) The desirability of the group maintaining a reputation for high standards of business conduct*

The group recognises the importance of complying with the letter and spirit of every applicable law or regulation in each country and locality that the group operates and this extends to all employees of the group. Each employee is responsible for understanding the laws and regulations that relate to their individual responsibilities.

The group prohibits forced labour, slavery and trafficking in persons. Employees, contractors, subcontractors, salon partners, suppliers and others whom the group conducts business must not engage in any practice that utilises child, slave, prisoner, or any other form of forced or involuntary labour, or engage in abusive, misleading or corrupt employment practices resulting in forced labour, slavery or human trafficking, including (i) destroying, concealing, confiscating or otherwise denying access to an individual's identity or immigration documents such as passports or drivers licenses and (ii) failing to disclose during the recruitment process, or making material misrepresentations concerning, key terms and conditions, including wages, benefits, work location, living conditions, housing, transportation and associated costs.

#### *f) The need to act fairly as between members of the group*

The group is committed to equal treatment of personnel. To achieve a well-functioning equal treatment method, the group aims to work from both qualitative and quantitative perspectives. The group's Directors, managers and employees work together to achieve equality across gender, race, sexual orientation, disability, socio-economic background and age. Each manager takes responsibility for the intentions of gender equality work carried out in his or her own function with support from the group people team.

Unconscious bias training is provided to all employees to help ensure that during both internal employee review process and the external recruitment process all individuals have an equal opportunity regardless of gender, race, sexual orientation, disability, socio-economic background and age.

Through the increased focus on driving marketplace growth and the other strategic decisions outlined above, the Directors consider, both individually and together, that they have acted in a way that they consider, in good faith, would most likely promote the success of the group for the benefit for its stakeholders as a whole (having regard to the stakeholders and matters set out in s172(1)(a-f) of the Companies Act 2006) in the decisions taken during the year ended 31 December 2019.

This report was approved by the board on 17 May 2021 and signed on its behalf by



A. Piccioni  
Director

# Hotspring Ventures Limited

## Directors' Report

For the Year Ended 31 December 2019

### Principal activity

The principal activity of Hotspring Ventures Limited (the 'parent company') and its subsidiaries (the 'group') is operating an online marketplace for hair and beauty services by providing a booking platform by which customers can discover, book, manage and pay for appointments at hair and beauty salons and spas in the UK & Europe.

The group also provides software to hair and beauty salons to help them manage their businesses. They can manage all of their appointments using the software, which then represents real time availability to customers on the marketplace. The software also allows salons to manage stock, employee rotas and communicate with their customers via marketing emails and SMS.

### Results and Dividends

The group recorded a loss for the year, after taxation of £56.5m for the financial year ended 31 December 2019 (2018: £38.0m loss).

Net liabilities as at 31 December 2019 amounted to £4.6m (2018: net assets £9.8m) with cash reserves held of £15.1m (2018: £9.2m).

The directors did not recommend the payment of a dividend in 2019 (2018: nil).

### Future developments

In 2019, the group continued to focus on improving product market fit and scaling our customer and salon base, as well as pursuing operational excellence and efficiency. The directors continue to believe that the industry as a whole will continue to move more online and that both B2C and B2B demand for the group's online marketplace and software will grow strongly over the coming years in all its markets.

In 2020 and 2021, the parent company received additional funding of €20m (in the form of both capital and shareholder loans) from the new owner Real Web Ventures Limited to support further growth and market development. The directors remain confident that the company is in a secure position to meet the future demands of its business customers and consumers.

### Directors

The directors who served during the year, up to the date of approving these financial statements for issue, were:

Lopo Champalimaud (resigned 31 December 2019)

Benjamin Leaver (resigned 31 December 2019)

Keisuke Kaji (appointed 1 January 2020, resigned 31 January 2021)

Lauren Burns (appointed 1 January 2020, resigned 31 January 2021)

Kazumasa Watanabe (resigned 24 June 2020)

Hidetaka Kawashima (resigned 24 June 2020)

Giampiero Marino (appointed 28 January 2021)

Andrea Piccioni (appointed 31 January 2021)

### Employment

The group has a flat operating structure, where employees enjoy the freedom and responsibility to take decisive actions every day. As part of this structure, procedures exist for employee communication, consultation, feedback and development. The company tries to ensure that the views of all employees are taken into account and that company strategies and goals are openly communicated. A monthly company meeting, regular team meetings and email newsletters are used to brief employees on company updates. The company sends out an engagement survey giving all employees the opportunity for anonymous feedback together with an internal email feedback channel and a whistle blower policy.

# Hotspring Ventures Limited

## Directors' Report

For the Year Ended 31 December 2019

### Employment (continued)

The group has an equal opportunity employment policy and is opposed to all forms of discrimination. Our team operates in 11 countries across Europe and is made up of more than 30 nationalities; we believe diversity is our strength. Our selection processes are non-discriminatory and accessible. We give fair and full consideration for those applicants with disabilities and make the necessary adjustments in our process to accommodate all applicants. The company is committed to ensuring that training, career development and promotion opportunities are equally accessible to all employees.

The health and safety of all employees is paramount and governed by policies and procedures ensuring a safe and suitable environment for all those attending our premises.

### Foreign branches

The group operates branches in Ireland, Austria and Switzerland and the results of these branches are included in the results of the group. The results of the branch in Ireland are also included in the results of the parent company.

### Post balance sheet events

#### *Change of ownership*

On 2 June 2020 the previous ultimate parent company, Recruit Holdings Co. Ltd entered into an agreement for RGF Beauty Limited & RGIP LLC to sell 100% of the shares in Hotspring Ventures Limited to Real Web Ventures Limited on 24 June 2020. Ahead of this, on 22 June 2020 RGIP LLC transferred its shareholding in Hotspring Ventures Limited to its parent entity, Recruit Co. Limited. The change of ownership was completed in full on 24 June 2020 and resulted in impairment of goodwill of £8.6m being recorded in 2019.

#### *COVID-19*

The COVID-19 pandemic, also known as the coronavirus pandemic, is an ongoing pandemic of coronavirus disease 2019 (COVID-19). The disease was first identified in December 2019 and The World Health Organization declared the outbreak a Public Health Emergency of International Concern on 30 January 2020, and subsequently a pandemic on 11 March 2020. This has been treated as a non-adjusting subsequent event in these financial statements.

The COVID-19 pandemic, with its associated lock-downs, materially impacted business performance in 2020 as all hair and beauty salons in our current markets were initially closed for a period of at least six weeks in spring 2020. A second round of lockdowns in autumn 2020, and a third in winter 2020 forced the industry to close again for varying lengths of time in each country, continuing into 2021.

During the associated lock-downs, the group received government aid for employment costs in most markets, with total savings from this support estimated at £1m for the 2020 financial year. Along with the government aid received, the group brought forward planned restructuring and relocating of certain teams and a company wide review of all teams for efficiencies, resulting in reduced headcount and associated annual savings of ~£4.9m. The group also made impactful reductions to variable costs with a view to reduce costs as much as possible during this period and in the future.

There remains uncertainty around the future trajectory of the pandemic. Some level of social distancing measures are likely to be in place for the foreseeable future, impacting the capacity and economics of our salons, however with vaccines now becoming available it is looking more promising.

# Hotspring Ventures Limited

## Directors' Report

For the Year Ended 31 December 2019

### Going concern

The group made a loss on activities after tax for the year of £56.5m (2018: £38.0m) and has net liabilities of £4.6m (2018: net assets of £9.8m). During the period under review, the group changed its marketing and discounting strategy to be more efficient and put focus on its goal of being profitable by 2022.

In June 2020, the group was fully acquired by Real Web Ventures Limited, a fully owned subsidiary of Real Web S.A. (the Real Web group). This change of ownership, along with the COVID-19 pandemic has driven an impactful change in the way the group is operating and approaching spend, with a focus on becoming profitable and self-sufficient in its own investment, both in the current circumstances and in the future.

The COVID-19 pandemic, with its associated lock-downs, materially impacted business performance in 2020, continuing into 2021, however, the group received government aid for employment costs in most markets, have made headcount reductions and associated annual employment cost savings and also made impactful reductions to variable costs with a view to reduce costs as much as possible, which is also in line with the strategy of the new shareholders.

The group continued to benefit from support from investors throughout the period under review. In 2020, the parent company received additional funding of £20m from Recruit Co Limited in the period prior to its change of ownership. Following the change of ownership, the parent company has received additional funding of €20m (in the form of both capital and shareholder loans) from the new owner Real Web Ventures Limited to support further growth and market development. The directors remain confident that the company is in a secure position to meet the future demands of its business customers and consumers.

Despite the sustained level of substantial investment in all of its markets during the period under review and given the vast improvement to the group's results under the new management, the directors have a reasonable expectation that the company and the group have adequate resources to continue operating for the foreseeable future with the ongoing support of Real Web S.A., which has been confirmed in writing. The directors have also considered the ability of the parent company to provide continued financial support and received the necessary support to enable them to conclude on that ability. The annual financial statements have thus been prepared on a going concern basis.

### Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' for the parent company and International Accounting Standards in conformity with the requirements of the Companies Act 2006 for the consolidated financial statements. 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 and profit or loss of the company and group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether UK Accounting Standards and IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

# Hotspring Ventures Limited

## Directors' Report

For the Year Ended 31 December 2019

### Financial instruments

Details of financial instruments are provided in the strategic report.

### Stakeholder engagement and s.172(1) statement

Details of stakeholder engagement and the s.172(1) statement are provided in the strategic report.

### Disclosure of information to auditor

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

### Auditor

Ernst & Young LLP continues as the auditor of the Company for the year ending 31st December 2019. Following the change in shareholder, BDO LLP will be replacing Ernst & Young LLP as auditor for the year ending 31 December 2020. This change has been approved by the Board of the parent entity via a written resolution.

This report was approved by the board on 17 May 2021 and signed on its behalf by



A. Piccioni  
Director

## Independent Auditor's Report to the members of Hotspring Ventures Limited

### Disclaimer of Opinion

We were engaged to audit the financial statements of Hotspring Ventures Limited ('the parent company') and its subsidiaries (the 'group') for the year ended 31 December 2019, which comprise the consolidated statement of comprehensive income, the consolidated and parent company statements of financial position, the consolidated and parent company statements of changes in equity, the consolidated statement of cash flows, the related notes 1 to 21 in respect of the consolidated financial statements, including a summary of significant accounting policies and the related notes 1 to 11 in respect of the parent company financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Accounting Standards in conformity with the requirements of the Companies Act 2006. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

We do not express an opinion on the accompanying financial statements of the company. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

### Basis for disclaimer of opinion

As disclosed in note 1 to the consolidated and parent company financial statements, the directors have a reasonable expectation that the group and the parent company have adequate resources to continue operating for the foreseeable future with ongoing support from their ultimate parent company. The directors have taken steps to confirm the ultimate parent company has the ability to provide financial support.

We were unable to complete our audit procedures relating to the ultimate parent company's ability to provide support to the group and the parent company. Given the materiality and importance of the matter, we conclude that the impact of any adjustment could be pervasive to the consolidated and parent company financial statements.

### Opinions on other matters prescribed by the Companies Act 2006

Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have been unable to form an opinion, whether based on the work undertaken in the course of the audit:

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

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

Notwithstanding our disclaimer of an opinion on the financial statements, in the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, subject to the pervasive limitation described above, we have not identified material misstatements in the strategic report or directors' report.

Arising from the limitation of our work referred to above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit.

In respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, we are unable to form an opinion on whether:

- 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.

#### **Responsibilities of directors**

As explained more fully in the directors' responsibilities 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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

#### **Auditor's responsibilities for the audit of the financial statements**

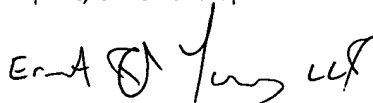
Our responsibility is to conduct an audit of the company's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report.

However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

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

#### **Use of our report**

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



**Zishan NurMohamed (Senior statutory auditor)**

for and on behalf of Ernst & Young LLP, Statutory Auditor

London

17/05/2021

# Hotspring Ventures Limited

## Consolidated Statement of Comprehensive Income

Year Ended 31 December 2019

	<i>Notes</i>	2019 £'000	2018 £'000
<b>Revenues</b>	3	34,837	23,779
Cost of sales		<u>(19,610)</u>	<u>(17,884)</u>
<b>Gross profit</b>		<b>15,227</b>	<b>5,895</b>
Administrative expenses: Other	4	(63,716)	(44,597)
Administrative expenses: Exceptional impairment of goodwill	9	<u>(7,879)</u>	<u>-</u>
<b>Operating loss</b>		<b>(56,368)</b>	<b>(38,702)</b>
Finance costs	6	(297)	-
Finance income	6	<u>138</u>	<u>141</u>
<b>Loss on ordinary activities before taxation</b>		<b>(56,527)</b>	<b>(38,561)</b>
Taxation on ordinary activities	7	<u>(1)</u>	<u>590</u>
<b>Loss for the year</b>		<b>(56,528)</b>	<b>(37,971)</b>
<b>Other comprehensive income: Items that may be reclassified to profit and loss</b>			
Exchange differences on translating foreign operations		<u>2,000</u>	<u>(712)</u>
<b>Total comprehensive loss for the year</b>		<b><u>(54,528)</u></b>	<b><u>(38,683)</u></b>

The notes on pages 18 to 48 form part of these financial statements.

# Hotspring Ventures Limited

## Consolidated Statement of Financial Position

As at 31 December 2019

	Notes	2019 £'000	2018 £'000
<b>Non current assets</b>			
Intangible assets	9	95	9,206
Property, plant & equipment	10	654	1,034
Right-of-use assets	17	7,103	-
		<u>7,852</u>	<u>10,240</u>
<b>Current assets</b>			
Trade and other receivables	11	4,815	4,521
Cash and cash equivalents	12	15,140	9,207
		<u>19,955</u>	<u>13,728</u>
<b>TOTAL ASSETS</b>		<u>27,807</u>	<u>23,968</u>
<b>EQUITY</b>			
Issued share capital	14	39	34
Share premium	14	223,182	183,193
Foreign currency translation reserve		(374)	(2,374)
Retained deficit		(227,460)	(171,017)
<b>TOTAL EQUITY</b>		<u>(4,613)</u>	<u>9,836</u>
<b>LIABILITIES</b>			
<b>Non current liabilities</b>			
Lease liabilities	17	6,575	-
		<u>6,575</u>	<u>-</u>
<b>Current liabilities</b>			
Trade and other payables	13	24,681	14,132
Lease liabilities	17	1,164	-
		<u>25,845</u>	<u>14,132</u>
<b>TOTAL LIABILITIES</b>		<u>32,420</u>	<u>14,132</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>27,807</u>	<u>23,968</u>

These consolidated financial statements have been approved by the Board of Directors and signed on its behalf by



A. Piccioni

17 May 2021

Registered company number: 06457679

The notes on pages 18 to 48 form part of these financial statements.

# Hotspring Ventures Limited

## Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2019

		<i>Issued share capital</i>	<i>Share Premium</i>	<i>Foreign currency translation reserve</i>	<i>Retained deficit</i>	<i>Total shareholders equity</i>
	<i>Notes</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>At 31 December 2017</b>		<b>30</b>	<b>148,197</b>	<b>(1,662)</b>	<b>(133,187)</b>	<b>13,378</b>
Loss for the year		-	-	-	(37,971)	(37,971)
Other comprehensive loss		-	-	(712)	-	(712)
Total comprehensive loss		-	-	(712)	(37,971)	(38,683)
Issue of shares	14	4	34,996	-	-	35,000
Share based payment charge	15	-	-	-	141	141
<b>At 31 December 2018</b>		<b>34</b>	<b>183,193</b>	<b>(2,374)</b>	<b>(171,017)</b>	<b>9,836</b>
Loss for the year		-	-	-	(56,528)	(56,528)
Other comprehensive income		-	-	2,000	-	2,000
Total comprehensive income/(loss)		-	-	2,000	(56,528)	(54,528)
Issue of shares	14	5	39,989	-	-	39,994
Share based payment charge	15	-	-	-	85	85
<b>At 31 December 2019</b>		<b>39</b>	<b>223,182</b>	<b>(374)</b>	<b>(227,460)</b>	<b>(4,613)</b>

The notes on pages 18 to 48 form part of these financial statements.

# Hotspring Ventures Limited

## Consolidated Statement of Cash Flows

For the Year Ended 31 December 2019

	<i>Notes</i>	2019 £'000	2018 £'000
<b>Operating activities</b>			
Loss before tax		(56,527)	(38,561)
Depreciation of property, plant and equipment	10	511	561
Depreciation of right-of-use assets	17	1,073	-
Loss on disposal of property, plant and equipment		6	-
Impairment of property, plant and equipment	10	416	-
Impairment of goodwill	9	7,879	362
Amortisation of intangible assets	9	72	66
Share based payment expense	15	85	141
Interest costs on lease commitments	6	297	-
Interest income	6	(138)	(141)
Loss on lease modifications		1	-
Increase in trade and other receivables		(294)	(120)
Increase in trade and other payables		10,549	2,434
IFRS16 movements in trade and other receivables & payables		546	-
Taxation		(1)	587
<b>Cash flows used in operating activities</b>		<u>(35,525)</u>	<u>(34,671)</u>
<b>Investing activities</b>			
Interest received	6	138	141
Purchase of property, plant & equipment	10	(576)	(570)
Purchase of intangible assets	9	(66)	(9)
Proceeds from disposal of property, plant & equipment		4	22
<b>Net cash flows used in investing activities</b>		<u>(500)</u>	<u>(416)</u>
<b>Financing activities</b>			
Payment of principal portion of lease liabilities	17	(984)	-
Payment of interest on lease liabilities	17	(297)	-
Proceeds from issue of share capital	14	39,994	35,000
<b>Net cash flows from financing activities</b>		<u>38,713</u>	<u>35,000</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>2,688</b>	<b>(87)</b>
Effect of changes in foreign exchange rates		3,245	(827)
Cash and cash equivalents at 1 January	12	9,207	10,121
<b>Cash and cash equivalents at 31 December</b>		<u>15,140</u>	<u>9,207</u>

The notes on pages 18 to 48 form part of these financial statements.

# Hotspring Ventures Limited

## Notes to the Financial Statements

For the Year Ended 31 December 2019

### 1. Accounting policies

#### *General information*

Hotspring Ventures Limited is a limited company incorporated and domiciled in England and Wales. Its registered address is Fairfax House, 15 Fulwood Place, London, WC1V 6HU.

The principal activity of Hotspring Ventures Limited (the 'parent company') and its subsidiaries (the 'group') is operating an online marketplace for hair and beauty services by providing a booking platform by which customers can discover, book, manage and pay for appointments at hair and beauty salons and spas in the UK & Europe.

The group also provides software to hair and beauty salons to help them manage their businesses. They can manage all of their appointments using the software, which then represents real time availability to customers on the marketplace. The software also allows salons to manage stock, employee rotas and communicate with their customers via marketing emails and SMS.

#### *Basis of preparation*

The group financial statements have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 as they apply to financial statements of the group for the year ended 31 December 2019. The new accounting standard, International Financial Reporting Standard (IFRS) 16, was adopted in 2019. Details of IFRS 16 are provided below. All other accounting policies were consistently applied in both years.

The group financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£'000) except when otherwise indicated.

These financial statements were approved and authorised for issue by the board on 17 May 2021. Amendments to the financial statements are not permitted after approval.

The group financial statements have been prepared under the historical cost convention.

#### *Going concern*

In June 2020, the group was fully acquired by Real Web Ventures Limited, a fully owned subsidiary of Real Web S.A. (the Real Web group). This change of ownership, along with the COVID-19 pandemic has driven an impactful change in the way the group is operating and approaching spend, with a focus on becoming profitable and self-sufficient in its own investment, both in the current circumstances and in the future.

The COVID-19 pandemic, also known as the coronavirus pandemic, is an ongoing pandemic of coronavirus disease 2019 (COVID-19). The disease was first identified in December 2019 and The World Health Organization declared the outbreak a Public Health Emergency of International Concern on 30 January 2020, and subsequently a pandemic on 11 March 2020.

The COVID-19 pandemic, with its associated lock-downs, materially impacted business performance in 2020, continuing into 2021, however, the group received government aid for employment costs in most markets, have made headcount reductions and associated annual employment cost savings and also made impactful reductions to variable costs with a view to reduce costs as much as possible, which is also in line with the strategy of the new shareholders.

The group continued to benefit from support from investors throughout the period under review. In 2020, the parent company received additional funding of £20m from Recruit Co Limited in the period prior to its change of ownership. Following the change of ownership, the parent company has received additional funding of €20m (in the form of both capital and shareholder loans) from the new owner Real Web Ventures Limited to support further growth and market development. The directors remain confident that the company is in a secure position to meet the future demands of its business customers and consumers.

Despite the sustained level of substantial investment in all of its markets during the period under review and given the vast improvement to the group's results under the new management, the directors have a reasonable expectation that the company and the group have adequate resources to continue operating for the foreseeable future with the ongoing support of Real Web S.A., which has been confirmed in writing. The directors have also considered the ability of the parent company to provide continued financial support and received the necessary support to enable them to conclude on that ability. The annual financial statements have thus been prepared on a going concern basis.

# Hotspring Ventures Limited

## Notes to the Financial Statements

For the Year Ended 31 December 2019

### 1. Accounting policies (continued)

#### *Basis of consolidation*

The consolidated financial statements include the financial statements of Hotspring Ventures Limited and all of its subsidiaries for the periods reported.

For the purposes of preparing these consolidated financial statements, subsidiaries are those entities controlled by the group. Control exists when the company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities and is achieved through direct or indirect ownership of voting rights, by way of contractual agreement. The financial statements of subsidiaries, which are prepared for the same reporting period, are included in the consolidated financial statements from the date that control commences until the date control ceases. All intra-group balances, income and expenses and unrealised gains and losses resulting from the intra-group transactions are eliminated in full on consolidation.

Subsidiary entity accounts are prepared in accordance with local accounting standards and have been adjusted where necessary to ensure consistency with the accounting policies adopted by the group.

#### *Business combinations and goodwill*

Business combinations are accounted for using the acquisition method. The consideration transferred by the group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred. Assets acquired and liabilities assumed are generally measured at their acquisition date fair values.

For each business combination, management makes an assessment of whether any intangible assets have been acquired, and how much goodwill arose as a result of the acquisition. Goodwill is initially measured at cost being the excess of the cost of the business combination over the group's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the group's cash generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash generating unit retained.

The group assesses whether there are any indicators that goodwill is impaired at each reporting date. Goodwill is tested for impairment annually and when circumstances indicate that the carrying amount may be impaired.

#### *Revenue recognition*

Group revenue comprises of commissions earned from consumer bookings and vouchers purchased online through the Treatwell platform, subscription fees for the provision of salon management software and other income from various marketing partnerships.

Revenue is recognised in respect of commissions at the time of booking, which is the point in time the group considers it has performed its obligations under the contract. The group holds a provision for cancellations against these bookings.

Subscription revenue is recognised evenly over the period to which the subscription relates as the customer simultaneously receives and consumes benefits to them. The cost profile to the group remains consistent throughout the provision of the service.

Other revenue is recognised in line with the performance obligations of the contract and is assessed on a contract by contract basis.

# Hotspring Ventures Limited

## Notes to the Financial Statements

For the Year Ended 31 December 2019

### 1. Accounting policies (continued)

#### *Revenue recognition (continued)*

The group has generally concluded that it is the principal in its revenue arrangements. The group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated.

In determining the transaction price, the group considers the effects of variable consideration, constraining estimates of variable consideration, the existence of significant financing component in the contract, non-cash consideration and consideration payable to a customer in determining the transaction price.

#### *Contract balances*

##### *Trade receivables*

A receivable is recognised if an amount of consideration that is unconditional is due from the customer (i.e. only the passage of time is required before payment of the consideration is due).

#### *Property, plant and equipment*

Property, plant and equipment are stated at cost less accumulated depreciation and impairment. Such cost includes the cost of replacing part of the property, plant and equipment when the cost is incurred, if the recognition criteria are met, in which case the carrying value of the replaced part is written off. All major repairs and maintenance costs are recognised in the consolidated statement of comprehensive income as incurred.

Depreciation is calculated on a straight line basis over the useful life of the asset as follows:

Leasehold improvements	over lease term
Computer equipment & other	3 years
Furniture & office equipment	3-4 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of comprehensive income in the year the asset is de-recognised.

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end. The assets are reviewed for impairment if events or circumstances indicate the carrying value may not be recoverable, and are written down immediately to their recoverable amount.

#### *Intangible assets*

Brand names and customer lists acquired in a business combination that qualify for separate recognition are recognised as intangible assets at their fair values.

Expenditure on the research phase of projects to develop new customised software is recognised as an expense as incurred. Costs that are directly attributable to a project's development phase are recognised as intangible assets, provided they meet the following recognition requirements:

- the development costs can be measured reliably
- the project is technically and commercially feasible
- the group intends to and has sufficient resources to complete the project
- the group has the ability to use or sell the software
- the software will generate probable future economic benefits

# Hotspring Ventures Limited

## Notes to the Financial Statements

For the Year Ended 31 December 2019

### 1. Accounting policies (continued)

#### *Intangible assets (continued)*

Development costs not meeting these criteria for capitalisation are expensed as incurred. Only employee costs incurred on software development have been included as directly attributable costs.

All intangible assets with a finite life, including internally developed software, are accounted for using the cost model whereby capitalised costs are amortised on a straight line basis over their estimated useful lives. Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing. The following useful lives are used:

Salon Contracts	3 years
Software - other	3 years
Trade name	5 years

Subsequent expenditures on the maintenance of computer software and brand names are expensed as incurred. When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset and is recognised in profit or loss within other income or other expenses.

#### *Impairment of non-financial assets*

The group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. For further information, see note 2.

Impairment losses of continuing operations are recognised in the consolidated statement of comprehensive income as a highlighted item in the period in which they are incurred. Impairment is determined for goodwill by assessing the recoverable amount of the cash generating units, to which goodwill relates.

Where the recoverable amount of the cash generating units is less than the carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill are not reversed in future periods. The group performs its annual impairment test of goodwill based on the final day of the financial year.

#### *Cash and cash equivalents*

Cash and cash equivalents in the consolidated statement of financial position comprise cash at bank and short term deposits with a maturity of three months or less.

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

#### *Foreign currency translation*

The consolidated financial statements are presented in Sterling, which is also the functional currency of the parent company. Foreign currency transactions are translated into the functional currency of the respective group entity using the exchange rates prevailing at the dates of the transactions (spot exchange rates). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items denominated in foreign currency at year end exchange rates are recognised in profit or loss. Non-monetary items are not retranslated at year end and are measured at historical cost (translated using exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

# Hotspring Ventures Limited

## Notes to the Financial Statements

For the Year Ended 31 December 2019

### 1. Accounting policies (continued)

#### *Foreign currency translation (continued)*

In the group's financial statements, all assets, liabilities and transactions of group entities with a functional currency other than Sterling are translated into Sterling upon consolidation. The functional currency of the entities in the group has remained unchanged during the reporting period.

On consolidation, assets and liabilities have been translated into Sterling at the closing rate at the reporting date. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into Sterling at the closing rate. Income and expenses have been translated into Sterling at the average rate over the reporting period. Exchange differences are charged or credited to other comprehensive income and recognised in the currency translation reserve in equity. On disposal of a foreign operation, the related cumulative translation differences recognised in equity are reclassified to profit or loss and are recognised as part of the gain or loss on disposal.

#### *Financial assets*

##### *Initial recognition and measurement*

Financial assets classified and measured at amortised cost are held with the objective to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e. the date that the group commits to purchase or sell the asset.

##### *Subsequent measurement*

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

##### *Financial assets at amortised cost (debt instruments)*

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The group's financial assets at amortised cost includes trade and other receivables.

##### *Derecognition*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the group has transferred substantially all the risks and rewards of the asset, or (b) the group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the group has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the group has retained.

# Hotspring Ventures Limited

## Notes to the Financial Statements

For the Year Ended 31 December 2019

### 1. Accounting policies (continued)

#### *Financial assets (continued)*

##### *Derecognition (continued)*

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the group could be required to repay.

##### *Impairment*

Further disclosures relating to impairment of financial assets are provided in note 11. The group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages:

For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the group applies a simplified approach in calculating ECLs. Therefore, the group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

#### *Financial liabilities*

##### *Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings or payables as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The group's financial liabilities include trade and other payables.

##### *Subsequent measurement*

For purposes of subsequent measurement, financial liabilities are classified at amortised cost (loans and borrowings).

##### *Financial liabilities at amortised cost (loans and borrowings)*

This is the category most relevant to the group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

##### *Derecognition*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

# Hotspring Ventures Limited

## Notes to the Financial Statements

For the Year Ended 31 December 2019

### 1. Accounting policies (continued)

#### *Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

#### *Leased assets*

For any new contracts entered into on or after 1 January 2019, the group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition, the group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the group
- the group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the group has the right to direct the use of the identified asset throughout the period of use. The group assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use

#### *Group as a lessee*

##### *Measurement and recognition of leases as a lessee*

At lease commencement date, the group recognises a lease liability and a right-of-use asset on the balance sheet.

At the commencement date, the group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to nil.

The right-of-use asset is measured at the same amount as the lease liability at the lease commencement date and any lease payments made in advance of the lease commencement date (net of any incentives received).

The group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term as follows:

Leasehold property	1-10 years
Motor vehicles	4-5 years

The group also assesses the right-of-use asset for impairment when such indicators exist.

The group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term. The amounts incurred for the year are disclosed in note 17.

Right-of-use assets and lease liabilities have been included on the face of the statement of financial position.

# Hotspring Ventures Limited

## Notes to the Financial Statements

For the Year Ended 31 December 2019

### 1. Accounting policies (continued)

#### *Provisions*

Provisions are recognised when the group has a probable, present legal or constructive obligation to make a transfer of economic benefits as a result of past events where a reliable estimate is available. The amounts recognised represent the group's best estimate of the transfer of benefits that will be required to settle the obligation as of the statement of financial position date. Provisions are discounted if the effect of the time value of money is material using a pre-tax market rate adjusted for risks specific to the liability.

#### *Share-based payments*

##### *Equity-settled transactions*

The costs of equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date of grant and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award.

Fair value is determined using the binominal pricing model. In valuing equity-settled transactions, no account is taken of any service and performance (vesting) conditions, other than performance conditions linked to the price of the shares of the parent company (market conditions). Any other conditions which are required to be met in order for the employee to become fully entitled to an award are considered non-vesting conditions. Like market performance conditions, non-vesting conditions are taken into account in determining the grant date fair value.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market vesting condition or a non-vesting condition, which are treated as vesting irrespective of whether or not the market vesting condition or non-vesting condition is satisfied, provided that all service and non-market vesting conditions are satisfied.

At each statement of financial position date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of service and non-market vesting conditions and of the number of equity instruments that will ultimately vest or, in the case of an instrument subject to a market condition or a non-vesting condition, be treated as vesting as described above. The movement in cumulative expense since the previous statement of financial position date is recognised in the consolidated statement of comprehensive income, with a corresponding entry in equity.

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the terms of the original award continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of modification. No reduction is recognised if this difference is negative.

Where an equity-settled award is cancelled (including when a non-vesting condition within the control of the entity or employee is not met), it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the consolidated statement of comprehensive income for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over the fair value of the settled award being treated as an expense in the consolidated statement of comprehensive income.

#### *Taxes*

##### *Current income tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the consolidated statement of financial position date. Current income tax relating to items recognised directly in equity is recognised in equity and not in the consolidated statement of comprehensive income.

# Hotspring Ventures Limited

## Notes to the Financial Statements

For the Year Ended 31 December 2019

### 1. Accounting policies (continued)

#### *Taxes (continued)*

##### *Deferred income tax*

Deferred income tax is provided using the liability method on temporary differences at the consolidated statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognised for all taxable temporary differences, except: where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and in respect of taxable temporary differences associated with investments in subsidiaries, associates and interest in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except: where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and in respect of deductible temporary differences associated with investments in subsidiaries, associates and interest in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred tax assets is reviewed at each consolidated statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each consolidated statement of financial position date and are recognised to the extent that it has become probable that the future taxable profit will allow the deferred tax asset to be recovered.

##### *Retirement benefits*

The group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. The assets of the plan are held separately from the group in independently administered funds.

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

##### *New standards and interpretations*

The group applied IFRS 16 Leases for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is described below.

Several other amendments and interpretations apply for the first time in 2019, but do not have any impact on the consolidated financial statements of the group. The group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

##### *IFRS 16 'Leases'*

IFRS 16 'Leases' replaces IAS 17 'Leases' along with three Interpretations (IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases-Incentives' and SIC 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'). The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

The adoption of this new Standard has resulted in the group recognising a right-of-use asset and related lease liability in connection with all former operating leases except for those identified as low-value or having a remaining lease term of less than 12 months from the date of initial application.

# HotSpring Ventures Limited

## Notes to the Financial Statements

For the Year Ended 31 December 2019

### 1. Accounting policies (continued)

#### *New standards and interpretations (continued)*

##### *IFRS 16 'Leases' (continued)*

The new Standard has been applied using the modified retrospective approach, with the cost of the right-of-use asset being set equal to the lease liability at the date of transition, adjusted for any lease payments made in advance of the lease commencement date (net of any incentives received). There is no adjustment to equity on adoption of the standard and prior periods have not been restated.

For contracts in place at the date of initial application, the group has elected to apply the definition of a lease from IAS 17 and IFRIC 4 and has not applied IFRS 16 to arrangements that were previously not identified as lease under IAS 17 and IFRIC 4.

The group has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of IFRS 16, being 1 January 2019.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets the group has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight line basis over the remaining lease term.

On transition to IFRS 16 the weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 was 4.6%.

The group has benefited from the use of hindsight for determining the lease term when considering options to extend and terminate leases.

The effect of adopting IFRS 16 is as follows:

#### **Impact on the consolidated statement of financial position (increase/(decrease)):**

	<i>Notes</i>	<b>1 January 2019 £'000</b>
<b>ASSETS</b>		
<b>Non current assets</b>		
Right-of-use assets	17	<u>5,845</u>
<b>Current assets</b>		
Prepayments		<u>(188)</u>
<b>TOTAL ASSETS</b>		<u><u>5,657</u></u>
<b>LIABILITIES</b>		
<b>Non current liabilities</b>		
Lease liabilities	17	<u>5,250</u>
<b>Current liabilities</b>		
Trade and other payables	13	(732)
Lease liabilities	17	<u>1,139</u>
		<u>407</u>
<b>TOTAL LIABILITIES</b>		<u><u>5,657</u></u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>5,657</u></u>

# Hotspring Ventures Limited

## Notes to the Financial Statements

For the Year Ended 31 December 2019

### 1. Accounting policies (continued)

Impact on the consolidated statement of profit or loss (increase/(decrease)):

	2019 £'000
Administrative expenses	325
<b>Total operating expenses</b>	<u>325</u>
<b>Operating loss</b>	325
Finance costs	(297)
<b>Loss for the year</b>	<u><u>28</u></u>

There is no material impact on other comprehensive income.

Impact on consolidated statement of cash flows (increase/(decrease)):

	2019 £'000
<b>Operating activities</b>	
Loss before tax	28
Depreciation of right-of-use assets	1,073
Non-cash finance charges	297
Loss on lease modifications	1
Movement in prepayments & rent free periods	(118)
<b>Cash flows generated from operating activities</b>	<u>1,281</u>
<b>Financing activities</b>	
Payment of principal portion of lease liabilities	(1,281)
<b>Net cash flows used in financing activities</b>	<u>(1,281)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	-

The group has reviewed the standards and interpretations in issue that are not yet effective (see below) and have determined that none are applicable to the group:

- IFRS 17 'Insurance Contracts'
- Amendments to IFRS 3 'Definition of a Business'
- Amendments to IAS 1 and IAS 8 'Definition of Material'

# Hotspring Ventures Limited

## Notes to the Financial Statements

For the Year Ended 31 December 2019

### 2. Significant accounting estimates, judgements and assumptions

The preparation of the group's financial statements requires management to make estimates, judgements and assumptions that affect the reported amounts of assets and liabilities at the consolidated statement of financial position date, amounts reported for revenues and expenses during the year, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the assets or liability affected in the future.

In the process of applying the group's accounting policies, management has made the following judgments and estimates which have the most significant effect on the amounts recognised in the financial statements:

#### Estimates and assumptions

##### *Impairment of non-financial assets and goodwill*

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on similar assets or observable market prices less incremental costs for disposing of the assets. The value in use calculation is based on a discounted cash flow model.

In 2019 management performed an impairment assessment of the group's non-financial assets by comparing the carrying amount of each CGU against its fair value less costs of disposal. The group changed ownership in June 2020 and the sale price was used to determine fair market value less costs of disposal. The key estimates involved in the group impairment review for 2019 were:

- Management estimated the fair value less costs of disposal of individual assets, assessing assets based on their NBV against similar assets of a similar age being marketed for sale. Individual assets were only impaired down to their individual fair value less costs of disposal.
- Management have assumed that the sale of the group in 2020 was made in line with fair market conditions.

In 2018 management performed an impairment assessment of the group's non-financial assets by estimating the value in use of each CGU. The recoverable amount is most sensitive to changes in expected future cash flows. The key estimates involved in the group impairment review for 2018 were:

- The cash flows are derived from the budget and projections for the next five years, these projections are influenced by factors which are inherently uncertain such as website traffic and non-controllable costs such as rent, rates and license costs. They do not include restructuring activities that the group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested.
- The recoverable amount is also sensitive to the discount rate used for the discounted cash flow model, and the terminal growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different cash generating units, are disclosed further in note 18.

##### *Leases - Estimating the incremental borrowing rate*

The group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency).

The group estimates the IBR using observable inputs from the jurisdiction in which the leasing entity operates (such as the country's national bank base rate) and then adjusts this based on the credit risk profile of the leasing entity (such as the subsidiary's stand-alone credit rating). Details of the leases can be found in note 17.

# Hotspring Ventures Limited

## Notes to the Financial Statements

For the Year Ended 31 December 2019

### 2. Significant accounting estimates, judgements and assumptions (continued)

#### Estimates and assumptions (continued)

##### *Provision for expected credit losses of trade receivables and contract assets*

The group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for customer segments that have similar loss patterns. For the group, the customer segment used to assess this is the customer's status on the marketplace as either 'live' (i.e., active on the marketplace) or 'churned' (i.e. no longer active on the marketplace) as the risk of not recovering debt owed by 'churned' salons has historically been much higher.

The provision matrix is initially based on the group's historical observed default rates. The group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the group's trade receivables and contract assets is disclosed in Note 11.

### 2. Significant accounting estimates, judgements and assumptions (continued)

#### *Judgements*

##### *Determining the lease term of contracts with renewal and termination options – group as lessee*

The group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The group has several lease contracts that include extension and termination options. The group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g. construction of significant leasehold improvements or significant customisation to the leased asset).

Refer to Note 17 for information on potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term.

# Hotspring Ventures Limited

## Notes to the Financial Statements

For the Year Ended 31 December 2019

### 3. Revenue

#### *Analysis of group revenue*

The group's revenues from external customers are divided into the following revenue streams:

	2019 £'000	2018 £'000
Commission revenue	31,466	21,562
Subscription revenue	3,126	1,902
Other revenue	245	315
	<u>34,837</u>	<u>23,779</u>

The group's revenues from external customers are divided into the following geographical areas:

	2019 £'000	2018 £'000
UK & Ireland	16,691	12,116
Rest of Europe	18,146	11,663
	<u>34,837</u>	<u>23,779</u>

The group's revenues from external customers are divided into the following transaction types:

	2019 £'000	2018 £'000
Services transferred at a point in time	31,711	21,877
Services transferred over time	3,126	1,902
	<u>34,837</u>	<u>23,779</u>

Balance sheet items associated with revenue include the following:

	2019 £'000	2018 £'000
Trade receivables	2,193	1,600
Expected credit loss provision	(1,354)	(1,079)
Deferred revenue	(1,932)	(1,205)
Accrued revenue (included in other receivables)	8	27

Set out below is the amount of revenue recognised from:

	2019 £'000	2018 £'000
Amounts included in contract liabilities at the beginning of the year	1,205	859
Performance obligations satisfied in previous years	(27)	(8)

# Hotspring Ventures Limited

## Notes to the Financial Statements

For the Year Ended 31 December 2019

### 3. Revenue (continued)

#### *Performance obligations*

Information about the group's performance obligations are summarised below:

Revenue is recognised in respect of commissions at the time of booking, which is the point in time the group considers it has performed its obligations under the contract. The group holds a provision for cancellations against these bookings.

Subscription revenue is recognised evenly over the period to which the subscription relates as the customer simultaneously receives and consumes benefits to them. The cost profile to the group remains consistent throughout the provision of the service.

Other revenue is recognised in line with the performance obligations of the contract and is assessed on a contract by contract basis.

### 4. Operating expenses

	2019	2018
	£'000	£'000
<i>Included in operating loss:</i>		
Share based payment	85	141
Depreciation of owned property, plant & equipment	511	561
Depreciation of right-of-use assets	1,073	-
Loss on disposal of owned property, plant & equipment	6	-
Foreign Exchange losses/(gains)	3,252	(709)
Amortisation of intangible assets	72	66
Impairment of goodwill	7,879	-
Impairment of property, plant & equipment	416	-
Impairment of trade receivables including debts written off	337	442
<i>Auditor remuneration:</i>		
Audit	110	125

# Hotspring Ventures Limited

## Notes to the Financial Statements

For the Year Ended 31 December 2019

### 5. Employee costs

<i>Employee benefits expense</i>	2019	2018
	<i>£'000</i>	<i>£'000</i>

*Included in administration expenses:*

Wages and salaries	32,241	23,938
Social security costs	4,852	3,938
Pension costs	501	309
	<u>37,594</u>	<u>28,185</u>

<i>Number of people employed</i>	2019	2018
	<i>Number</i>	<i>Number</i>

Number of full time equivalent (FTE) employees	528	502
--	-----	-----

*Average number of people (including executive directors) employed:*

Operational	498	482
Administration	37	38

<b>Total average headcount</b>	<u>535</u>	<u>520</u>
--------------------------------	------------	------------

<i>Directors remuneration</i>	2019	2018
	<i>£'000</i>	<i>£'000</i>

Aggregate remuneration in respect of qualifying services	5,268	546
Aggregate contributions to pensions in respect of qualifying services	4	2
Aggregate remuneration in respect of the highest paid director	3,795	260
Aggregate contributions to pensions in respect of the highest paid director	1	1

### 6. Finance income / (costs)

	2019	2018
	<i>£'000</i>	<i>£'000</i>
Interest costs on lease commitments	(297)	-
Interest income	138	141
	<u>(159)</u>	<u>141</u>

# Hotspring Ventures Limited

## Notes to the Financial Statements

For the Year Ended 31 December 2019

### 7. Income tax

<i>Tax credit on ordinary activities for the year</i>	<b>2019</b>	2018
Tax credit on ordinary activities for the year is made up of:	<b>£'000</b>	<b>£'000</b>

#### *Current tax:*

Corporation tax charge on profit/loss for the year	<b>1</b>	-
Adjustments in respect of consortium relief for prior years	<b>-</b>	<b>(590)</b>
Total current tax credit	<b>1</b>	<b>(590)</b>
Total tax credit on ordinary activities	<b>1</b>	<b>(590)</b>

#### *Factors affecting the tax credit for the year*

The tax credit for the year is different from the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:

	<b>2019</b>	2018
	<b>£'000</b>	<b>£'000</b>
Loss on ordinary activities before tax	<b>(56,527)</b>	<b>(38,561)</b>
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK: 19% (2018: 19%)	<b>(10,740)</b>	<b>(7,327)</b>

#### *Effects of:*

Expenses not deductible for tax purposes	<b>1,498</b>	<b>(24)</b>
Amounts not recognised in deferred tax	<b>10,793</b>	<b>9,059</b>
Impact of different overseas tax rates	<b>(1,550)</b>	<b>(1,708)</b>
Adjustments to tax charge in respect of previous years	<b>-</b>	<b>(590)</b>
Total tax credit for the year	<b>1</b>	<b>(590)</b>

<i>Deferred tax</i>	<b>2019</b>	2018
	<b>£'000</b>	<b>£'000</b>

The deferred tax provision, using a rate of 19% (2018: 17%) comprises the following:

#### *Unrecognised deferred tax*

Tax losses carried forward	<b>(40,235)</b>	<b>(32,097)</b>
Total unrecognised deferred tax asset	<b>(40,235)</b>	<b>(32,097)</b>

The tax losses carried forward relate to subsidiaries that have a history of losses, do not expire, and may not be used to offset taxable income elsewhere in the group. The subsidiaries neither have any taxable temporary difference nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets.

On this basis, the group has determined that it cannot recognise deferred tax assets on the tax losses carried forward.

# Hotspring Ventures Limited

## Notes to the Financial Statements

For the Year Ended 31 December 2019

### 8. Investments and group structure

Details of the significant investments in which the company holds, directly or indirectly, 20% or more of the nominal value of any class of share capital can be found below.

Company name	Holding	Proportion of voting rights and shares held	Nature of business	Registered address
Treatwell BNL B.V.	Ordinary shares	100%	Trading entity	Nieuwezijds Voorburgwal 120-126 1012 SH Amsterdam, Netherlands
Treatwell DACH GmbH	Ordinary shares	100%	Trading entity	Greifswalder Str. 212 10405 Berlin, Germany
Treatwell FR SAS	Ordinary shares	100%	Trading entity	52 rue de la Chaussée d'Antin 75009 Paris, France
Treatwell IT s.r.l.	Ordinary shares	100%	Trading entity	Milano Via G. B. Pirelli 11 20124 Milano, Italy
Treatwell LT UAB	Ordinary shares	100%	Trading entity	Jono Basanavičiaus g. 15 Vilniaus 03108, Lithuania
Treatwell Spain s.l.	Ordinary shares	100%	Trading entity	En la Calle Labastida, 10-12 28034 Madrid, Spain
Treatwell US Inc	Ordinary shares	100%	Dormant	111 Eighth Avenue New York, NY, USA

# Hotspring Ventures Limited

## Notes to the Financial Statements

For the Year Ended 31 December 2019

### 9. Intangible assets

	<i>Goodwill</i>	<i>Salon Contracts</i>	<i>Software</i>	<i>Trade name</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<i>Cost:</i>					
At 31 December 2017	38,181	644	816	370	40,011
Additions	-	-	9	-	9
Effect of translation to presentation currency	473	-	-	-	473
<b>At 31 December 2018</b>	<b>38,654</b>	<b>644</b>	<b>825</b>	<b>370</b>	<b>40,493</b>
Additions	-	-	66	-	66
Effect of translation to presentation currency	(2,013)	-	(2)	-	(2,015)
<b>At 31 December 2019</b>	<b>36,641</b>	<b>644</b>	<b>889</b>	<b>370</b>	<b>38,544</b>
<i>Amortisation &amp; Impairment:</i>					
At 31 December 2017	29,187	644	658	370	30,859
Charge for the year	-	-	66	-	66
Effect of translation to presentation currency	362	-	-	-	362
<b>At 31 December 2018</b>	<b>29,549</b>	<b>644</b>	<b>724</b>	<b>370</b>	<b>31,287</b>
Charge for the year	-	-	72	-	72
Impairment for the year	7,879	-	-	-	7,879
Effect of translation to presentation currency	(787)	-	(2)	-	(789)
<b>At 31 December 2019</b>	<b>36,641</b>	<b>644</b>	<b>794</b>	<b>370</b>	<b>38,449</b>
<i>Net Book Value:</i>					
31 December 2018	9,105	-	101	-	9,206
<b>31 December 2019</b>	<b>-</b>	<b>-</b>	<b>95</b>	<b>-</b>	<b>95</b>

Goodwill is denominated in EUR and was revalued using the year end foreign exchange rate. Of the movement in other comprehensive income, £1.2m loss relates to this revaluation.

The carrying value of the goodwill was tested for impairment during the current financial year by way of comparing the recoverable amount of each CGU with the carrying value of its net assets including goodwill. Based on the market value of the group which was established through the sale price to its new shareholders (2018: operating performance of the CGUs), impairment of £7.9m goodwill was recorded (2018: £ nil).

Refer to note 18 for further information of the impairment review.

# Hotspring Ventures Limited

## Notes to the Financial Statements

For the Year Ended 31 December 2019

### 10. Property, plant and equipment

	<i>Leasehold Improvements</i>	<i>Computer Equipment &amp; Other</i>	<i>Furniture &amp; Office Equipment</i>	<i>Total</i>
	£'000	£'000	£'000	£'000
<b>Cost:</b>				
At 31 December 2017	691	1,211	571	2,473
Additions	99	389	82	570
Disposals	-	(25)	(29)	(54)
Transfers	(13)	5	20	12
Effect of translation to presentation currency	4	9	4	17
<b>At 31 December 2018</b>	<b>781</b>	<b>1,589</b>	<b>648</b>	<b>3,018</b>
Additions	171	362	43	576
Disposals	-	(1)	(23)	(24)
Transfers	6	-	-	6
Effect of translation to presentation currency	(19)	(42)	(16)	(77)
<b>At 31 December 2019</b>	<b>939</b>	<b>1,908</b>	<b>652</b>	<b>3,499</b>
<b>Depreciation &amp; Impairment:</b>				
At 31 December 2017	332	790	308	1,430
Charge for the year	119	301	141	561
Disposals	-	-	(32)	(32)
Transfers	(13)	15	10	12
Effect of translation to presentation currency	3	7	3	13
<b>At 31 December 2018</b>	<b>441</b>	<b>1,113</b>	<b>430</b>	<b>1,984</b>
Charge for the year	91	325	95	511
Disposals	-	(1)	(13)	(14)
Transfers	6	-	-	6
Impairment	416	-	-	416
Effect of translation to presentation currency	(15)	(31)	(12)	(58)
<b>At 31 December 2019</b>	<b>939</b>	<b>1,406</b>	<b>500</b>	<b>2,845</b>
<b>Net Book Value:</b>				
31 December 2018	340	476	218	1,034
<b>31 December 2019</b>	<b>-</b>	<b>502</b>	<b>152</b>	<b>654</b>

# Hotspring Ventures Limited

## Notes to the Financial Statements

For the Year Ended 31 December 2019

### 11. Trade and other receivables

	2019 £'000	2018 £'000
Trade receivables	2,193	1,600
Expected credit loss provision	(1,354)	(1,079)
Other receivables	1,707	1,873
Other taxes receivable	166	21
Amounts owed by related parties	710	913
Prepayments	1,393	1,193
	<u>4,815</u>	<u>4,521</u>

Trade receivables are non-interest bearing and are payable on 30 day terms. All outstanding trade receivables that have not been provided for are considered to be recoverable.

As at 31 December, the ageing analysis of trade receivables is as follows:

	Neither past due nor impaired		Past due but not impaired				Total
	<30 days	30-60 days	61-90 days	91-120 days	>120 days		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
2019	499	28	89	78	61	1,438	2,193
2018	44	42	172	104	90	1,148	1,600

See note 19 on credit risk of trade receivables, which explains how the group manages and measures credit quality of trade receivables that are neither past due nor impaired.

Amounts owed by related parties are non-interest bearing and repayable on demand.

### 12. Cash and cash equivalents

	2019 £'000	2018 £'000
Cash and cash equivalents	<u>15,140</u>	<u>9,207</u>

### 13. Trade and other payables

	2019 £'000	2018 £'000
Trade payables	8,138	5,689
Accrued expenses	10,398	5,862
Deferred revenue	1,932	1,205
Other taxes and social security costs	4,213	1,376
	<u>24,681</u>	<u>14,132</u>

# Hotspring Ventures Limited

## Notes to the Financial Statements

For the Year Ended 31 December 2019

### 14. Issued share capital and reserves

<i>Ordinary shares called up and fully paid</i>	As at 31 December 2019		As at 31 December 2018	
	<i>Number</i>	<i>£'000</i>	<i>Number</i>	<i>£'000</i>
Ordinary shares issued and fully paid				
Series C2 shares at £0.01 each	<u>3,905,766</u>	<u>39</u>	<u>3,431,062</u>	<u>34</u>

#### *Share premium*

Includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

On 6 February 2019, the company raised funds of £40.0m by issuing 474,704 Series C2 shares to RGF Beauty UK Limited and RGIP LLC, the ultimate beneficiary of both was Recruit Holdings Co. Ltd. The shares were issued at £0.01 each with the additional £35m raised allocated to share premium. These were fully paid in cash.

### 15. Share based payments

The expense recognised for share based payments during the year is shown in the following table:

	2019	2018
	£'000	£'000
Hurdle shares	<u>85</u>	<u>141</u>

#### *Employee share option plans*

The group operates a "Hurdle shares" scheme whereby group employees were issued shares in the company's parent company, RGF Beauty UK Ltd. These shares came with put option rights whereby the employees concerned could sell their vested shares within certain pre-agreed liquidity windows to the ultimate parent company Recruit Holding Co. Ltd, as well as a call option in favour of Recruit Holding Co. Ltd that comes into effect at the end of the vesting period. The prices at which the put and call options can be exercised are as determined by an agreed formula as set out in RGF Beauty UK Limited's Articles of Association subject to the company achieving certain performance criteria. In 2019, no new Hurdle shares were issued and none were cash settled during the period (2018: nil).

Management assessed the expected value to employees of the Hurdle shares scheme using reasonable forecasts of future performance of the group and other reasonable estimates.

The costs of equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date of grant and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market vesting condition or a non-vesting condition, which are treated as vesting irrespective of whether or not the market vesting condition or non-vesting condition is satisfied, provided that all service and non-market vesting conditions are satisfied.

Fair value is determined using the binominal pricing model. In valuing equity-settled transactions, no account is taken of any service and performance (vesting) conditions, other than performance conditions linked to the price of the shares of the company (market conditions). Any other conditions which are required to be met in order for the employee to become fully entitled to an award are considered non-vesting conditions. Like market performance conditions, non-vesting conditions are taken into account in determining the grant date fair value.

# HotSpring Ventures Limited

## Notes to the Financial Statements

For the Year Ended 31 December 2019

### 15. Share based payments (continued)

#### *Employee share option plans (continued)*

At each statement of financial position date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of service and non-market vesting conditions and of the number of equity instruments that will ultimately vest or, in the case of an instrument subject to a market condition or a non-vesting condition, be treated as vesting as described above. The movement in cumulative expense since the previous statement of financial position date is recognised in the consolidated statement of comprehensive income, with a corresponding entry in equity.

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the terms of the original award continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of modification. No reduction is recognised if this difference is negative.

Where an equity-settled award is cancelled (including when a non-vesting condition within the control of the entity or employee is not met), it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the consolidated statement of comprehensive income for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over the fair value of the settled award being treated as an expense in the consolidated statement of comprehensive income.

This estimated valuation has been expensed over the vesting period of the Hurdle shares resulting in a charge to the profit and loss account in 2019 of £0.1m (2018: £0.1m). The credit entry corresponding to the Hurdle share expense has been credited directly to retained earnings.

#### *Share based payments assumptions*

Management engaged an independent valuation expert to prepare the valuation of these awards at grant date using a binomial model. A discount rate of 40% (2018: 40%) has been applied to the value of the C shares resulting from the binomial model to reflect the lack of marketability of the shares in the current market; this fell within the independent valuations expert appropriate range.

During 2019, no new C shares were granted to employees of the company (2018: nil).

# Hotspring Ventures Limited

## Notes to the Financial Statements

For the Year Ended 31 December 2019

### 16. Related party transactions

The group considers its key management personnel to be the directors of the parent company and members of the executive team. Key management personnel remuneration includes the following expenses:

	2019 £'000	2018 £'000
<b>Short term employee benefits</b>		
Salaries including bonuses	10,040	1,488
Social security costs	1,170	197
Other benefits	29	5
Fees	728	54
	<u>11,967</u>	<u>1,744</u>
<b>Post employment benefits</b>		
Defined contribution pension plans	24	13
<b>Termination benefits</b>		
Share based payments	-	38
	<u>-</u>	<u>38</u>
<b>Total remuneration</b>	<u>11,991</u>	<u>1,795</u>

### 17. Leases

The group has lease contracts for various office premises and motor vehicles used in its operations. Leases of office premises generally have lease terms between 1 and 10 years, while motor vehicles generally have lease terms between 4 and 5 years. The group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the group is restricted from assigning and subleasing the leased assets.

The group also has certain leases with lease terms of 12 months or less and leases of office equipment with low value. The group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

The carrying amounts of right-of-use assets recognised and the movements during the period are set out below:

	Office premises & motor vehicles £'000
<b>Cost:</b>	
Adjustment on transition to IFRS 16	5,845
Additions	2,446
Lease modifications	(67)
Effect of translation to presentation currency	(62)
<b>At 31 December 2019</b>	<u>8,162</u>
<b>Depreciation:</b>	
Charge for the year	1,073
Effect of translation to presentation currency	(14)
<b>At 31 December 2019</b>	<u>1,059</u>
<b>Net Book Value:</b>	
<b>31 December 2019</b>	<u>7,103</u>

# Hotspring Ventures Limited

## Notes to the Financial Statements

For the Year Ended 31 December 2019

### 17. Leases (continued)

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	<b>£'000</b>
Adjustment on transition to IFRS 16	6,389
Additions	2,450
Interest charges	297
Payments	(1,281)
Lease modifications	(66)
Effect of translation to presentation currency	(50)
<b>At 31 December 2019</b>	<b><u>7,739</u></b>
Current	1,164
Non-current	6,575
<b>At 31 December 2019</b>	<b><u>7,739</u></b>

The maturity analysis of lease liabilities are as follows:

	<b>2019</b>
	<b>£'000</b>
Within one year	1,164
In two to five years	4,398
In over five years	2,177
	<b><u>7,739</u></b>

The following are the amounts recognised in profit or loss:

	<b>2019</b>
	<b>£'000</b>
Depreciation expense of right-of-use assets	1,073
Interest expense on lease liabilities	297
Expense relating to short-term leases (included in administrative expenses)	53
Expense relating to leases of low-value assets (included in administrative expenses)	3
<b>Total amount recognised in profit or loss</b>	<b><u>1,426</u></b>

The group had total cash outflows for leases of £1.3m in 2019. The group also had non-cash additions to right-of-use assets of £8.3m and lease liabilities of £8.8m in 2019.

The group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the group's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised (see note 2).

# Hotspring Ventures Limited

## Notes to the Financial Statements

For the Year Ended 31 December 2019

### 17. Leases (continued)

Set out below are the undiscounted potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term:

	<i>Within 5 years</i>	<i>More than 5 years</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Extension options expected not to be exercised	770	33	803
Termination options expected to be exercised	-	-	-
	<u>770</u>	<u>33</u>	<u>803</u>

### 18. Impairment review

The group performed its annual impairment test in December 2019. The group considers the relationship between the trading performance of each CGU and their book value when reviewing for indicators of impairment. Each operating subsidiary represents a cash generating unit (CGU). Goodwill is allocated to the subsidiary on which it arose.

The recoverable amount of each segment was determined as its value-in-use. In 2019, value-in-use was reviewed using the current market value based on the recent sale of the group.

In 2018, value-in-use in 2018 was calculated using cash flow projections from financial budgets covering a six-year period. Management used period for cash flow projections which was longer than 5 years due to its longer start-up cycle and expectation that the benchmark year for entering into a mature cycle will be at least 2024. Cash flows beyond this forecast period were extrapolated using a terminal growth rate. A post-tax discount rate was used that reflected the current market assessments of the time value of money and the risks specific to each CGU. The specific assumptions that were applied to each CGU as set out in the table below.

In 2018 cash flows for each CGU beyond the six-year period were extrapolated, assuming a terminal growth of 2.0% that reflected the expected growth based on market research. Management used post-tax discount rates that reflected the current market assessments of the time value of money and the risks specific to the particular CGU. The post-tax discount rate applied to cash flow projections was 13%.

To assess for impairment, the value-in-use of the CGU is compared to the carrying value of the assets of that CGU including any attributed goodwill. If the resultant net present value of the discounted cash flows is less than the carrying value of the CGU including goodwill, the difference is written off through the consolidated statement of comprehensive income.

The impairment review conducted indicated that the goodwill was impaired and was therefore impaired in full at the reporting date (2018: £ nil).

<i>CGU</i>	<i>Method</i>	<i>Growth rates</i>	<i>Discount rates</i>
		<b>2018</b>	<b>2018</b>
Treatwell DACH GmbH	Value in use	2.0%	13%
Treatwell FR SAS	Value in use	2.0%	13%
Treatwell LT UAB	Value in use	2.0%	13%

During its annual impairment review, the group assessed the growth and discount rates used in the prior year for appropriateness. The discount rates used in the prior year were assessed to be in line with the WACC of the group at 13%. These rates will continue to be assessed annually for appropriateness.

# Hotspring Ventures Limited

## Notes to the Financial Statements

For the Year Ended 31 December 2019

### 18. Impairment review (continued)

The impairment review conducted indicated that the resultant net present value of the discounted cash flows was less than the carrying value of each CGU including goodwill and indicated that the goodwill was impaired and was therefore impaired in full at the reporting date (2018: £ nil).

*Carrying amount of goodwill allocated to each of the CGUs:*

	2019	2018
	£'000	£'000
Treatwell DACH GmbH	-	6,330
Treatwell FR SAS	-	2,158
Treatwell LT UAB	-	617
	<u>-</u>	<u>9,105</u>

The movement in goodwill during the year relates to impairment of £7.9m and the retranslation of goodwill in European subsidiaries at the year end exchange rate. This resulted in a foreign exchange loss in other comprehensive income of £1.2m (2018: £0.1m gain) (see note 9).

#### *Discount rates*

The discount rate calculation is based on the specific circumstances of the group and is derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the group's investors. The cost of debt is based on the interest-bearing borrowings the group is obliged to service.

#### *Growth rates*

Rates are based on published industry research, market conditions, economic factors, as well as competition faced from other businesses in these areas. Management has also considered general consumer confidence, including factors like job prospects, inflation and household disposable income. When determining the appropriate growth rates, management has also considered the regulatory environment.

### 19. Financial risk management

#### *Financial risk management objectives and policies*

The group uses financial instruments in its day to day operations. The group's financial instruments comprise cash and liquid resources, as well as various items such as trade receivables and trade payables that arise directly from its operations.

The group does not enter into derivatives or hedging transactions.

Risks the group is exposed to as a result of using financial instruments are explained below:

#### *Liquidity risk*

<i>Financial liabilities</i>		2019	2018
		£'000	£'000
<i>Current liabilities</i>	<i>Maturity</i>		
Trade payables	Payable within 1 year	8,138	5,689
Other payables	Payable within 1 year	10,398	5,862
Lease liabilities	Payable within 1 year	1,164	-
		<u>19,700</u>	<u>11,551</u>
<i>Non-current liabilities</i>	<i>Maturity</i>		
Lease liabilities	Payable 2-10 years	6,575	-

# Hotspring Ventures Limited

## Notes to the Financial Statements

For the Year Ended 31 December 2019

### 19. Financial risk management (continued)

The group's policy is to finance its operations and expansion through working capital and, in the case of investing in target companies, to raise an appropriate level of acquisition finance.

The table below summarises the maturity profile of the group's financial liabilities as at 31 December based on contractual (undiscounted) payments.

<i>As at 31 December 2019</i>	<i>Total</i>	<i>On demand</i>	<i>Up to 1 year</i>	<i>2 - 5 years</i>	<i>More than 5 years</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Trade payables	8,138	-	8,138	-	-
Other financial liabilities	10,398	-	10,398	-	-
Lease liabilities	7,739	-	1,164	4,398	2,177

<i>As at 31 December 2018</i>	<i>Total</i>	<i>On demand</i>	<i>Up to 1 year</i>	<i>2 - 5 years</i>	<i>More than 5 years</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Trade payables	5,689	-	5,689	-	-
Other financial liabilities	5,862	-	5,862	-	-

The group aims to mitigate liquidity risk by managing cash generation by its operations. Investment is carefully controlled, with authorisation limits operating up to board level and cash payback periods applied as part of the investment appraisal process.

#### *Credit risk*

Credit risk is a risk that one or more counterparties will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. There are no significant concentrations of credit risk within the group. The maximum credit risk exposure relating to financial assets is trade receivables, represented by the carrying value as at the statement of financial position date, as summarised below:

<i>Financial assets</i>	<i>2019</i>	<i>2018</i>
	<i>£'000</i>	<i>£'000</i>
<i>Current assets</i>		
Trade and other receivables	3,256	3,142
Cash and cash equivalents	15,140	9,207
	<u>18,396</u>	<u>12,349</u>

Loans and receivables are non-derivative financial assets. The carrying value may be affected by changes in the credit risk of the counterparties.

Management assessed that the carrying value of cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate their fair values largely due to the short-term maturities of these instruments.

Credit risk is managed by each business unit, subject to the group's established policy, procedures and control relating to customer credit risk management. Outstanding receivables are regularly monitored and any services provided to major customers are approved by management. The group evaluates the concentration of risk with respect to trade receivables as low, due to its large and diverse customer base and the fact that its customers are often also suppliers to the business.

There is no material difference between the fair values and book values of the group's trade receivables. The aging profile of the group's trade receivables are set out in note 11.

# Hotspring Ventures Limited

## Notes to the Financial Statements

For the Year Ended 31 December 2019

### 19. Financial risk management (continued)

#### *Trade receivables and contract assets*

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for customer segments with similar loss patterns. For the group, the customer segment used to assess this is the customer's status on the marketplace as either 'live' (i.e.. active on the marketplace) or 'churned' (i.e.. no longer active on the marketplace).

The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are impaired in full if the customer's status is 'churned' and are partially impaired if the customer's status is 'live' on the marketplace and past due for between 6 and 12 months. Receivables past due for more than 12 months are impaired in full.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 11.

#### *Capital management*

The group manages its capital to ensure that entities within the group will be able to continue as going concerns while maximising the return to shareholders through the optimisation of the debt, cash and equity balances.

The group receives annual capital injections used to fund the growth of the business, however is not subject to any externally imposed capital requirements.

The company's board reviews the capital structure of the group on a regular basis.

#### *Foreign currency risk*

The group undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. The group monitors future foreign cash flow requirements and purchases currencies as required.

The carrying amounts of the group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting year are as follows:

	2019	2019	2018	2018
	EUR'000	£'000	EUR'000	£'000
Cash and cash equivalents	6,510	5,562	5,030	4,528
Trade and other receivables	1,360	1,162	944	850
Trade payables	3,381	2,889	2,172	1,955
Other financial liabilities	7,302	6,239	3,460	3,116

# Hotspring Ventures Limited

## Notes to the Financial Statements

For the Year Ended 31 December 2019

### 19. Financial risk management (continued)

#### *Market risk sensitivity analysis*

The following table demonstrates the sensitivity to a reasonably possible change in EUR and GBP exchange rates, with all other variables held constant. The Group's exposure to foreign currency changes for all other currencies is not material. The movement in the pre-tax effect is a result of the exchange difference on translating foreign operations.

	2019	2019	2018	2018
	£'000	£'000	£'000	£'000
	EUR +10%	EUR -10%	EUR +10%	EUR -10%
Cash and cash equivalents	536	(573)	443	(460)
Trade and other receivables	112	(120)	83	(87)
Trade payables	277	(298)	191	(199)
Other financial liabilities	600	(643)	304	(318)
Effect on pre-tax equity	(230)	249	31	(30)

### 20. Ultimate parent undertaking and controlling party

On 2 June 2020 the ultimate parent company, Recruit Holdings Co. Ltd entered into an agreement for RGF Beauty Limited & RGIP LLC to sell 100% of the shares in Hotspring Ventures Limited to Real Web Ventures Limited on 24 June 2020.

At the year end, the parent companies were RGF Beauty UK Limited and RGIP LLC. The ultimate parent company was Recruit Holdings Co. Limited, a company incorporated in Japan. There was no deemed ultimate beneficial owner of Recruit Holdings Co. Limited. The smallest and largest group into which the results of Hotspring Ventures Limited are consolidated is headed by Recruit Holdings Co. Limited.

The principal place of business of Recruit Holdings Co. Limited is Gran Tokyo South Tower, 1-9-2 Marunouchi, Chiyoda-ku, Tokyo 100-6640 Japan and is a company listed on the Tokyo Stock Exchange. The financial statements of Recruit Holdings Co. Limited are publicly available and can be obtained online and from this address.

At the time of approving the financial statements, as described in note 21, the parent company of Hotspring Ventures Limited is Real Web Ventures Limited. The ultimate parent company is Real Web S.A., a company incorporated in Luxembourg. The controlling party of Real Web S.A. is Mr Andrea Piccioni. The smallest and largest group into which the results of Hotspring Ventures Limited are consolidated is headed by Real Web S.A..

The principal place of business of Real Web S.A. is 10, rue Antoine Jans, L-1820 Luxembourg. The financial statements of Real Web S.A. are publicly available and can be obtained from this address.

# Hotspring Ventures Limited

## Notes to the Financial Statements

For the Year Ended 31 December 2019

### 21. Events after the reporting period

#### *Change of ownership*

On 2 June 2020 the ultimate parent company, Recruit Holdings Co. Ltd entered into an agreement for RGF Beauty Limited & RGIP LLC to sell 100% of the shares in Hotspring Ventures Limited to Real Web Ventures Limited on 24 June 2020. Ahead of this, on 22 June 2020 RGIP LLC transferred its shareholding in Hotspring Ventures Limited to its parent entity, Recruit Co. Limited. The change of ownership was completed in full on 24 June 2020 and resulted in impairment of goodwill of £8.6m being recorded in 2019.

#### *COVID-19*

The COVID-19 pandemic, also known as the coronavirus pandemic, is an ongoing pandemic of coronavirus disease 2019 (COVID-19). The disease was first identified in December 2019 and The World Health Organization declared the outbreak a Public Health Emergency of International Concern on 30 January 2020, and subsequently a pandemic on 11 March 2020. This has been treated as a non-adjusting subsequent event in these financial statements.

The COVID-19 pandemic, with its associated lock-downs, has materially impacted business performance in 2020 as all hair and beauty salons in our current markets were initially closed for a period of at least six weeks in spring 2020. A second round of lockdowns in autumn 2020, and a third in winter 2020 forced the industry to close again for varying lengths of time in each country, continuing into 2021.

During the associated lock-downs, the group received government aid for employment costs in most markets, with total savings from this support estimated at £1m for the 2020 financial year. Along with the government aid received, the group brought forward planned restructuring and relocating of certain teams and a company wide review of all teams for efficiencies, resulting in reduced headcount and associated annual savings of ~£4.9m. The group also made impactful reductions to variable costs with a view to reduce costs as much as possible during this period and in the future.

There remains uncertainty around the future trajectory of the pandemic, some level of social distancing measures are likely to be in place for the foreseeable future, impacting the capacity and economics of our salons, however with vaccines now becoming available it is looking more promising.

# Hotspring Ventures Limited

## Parent Company Statement of Financial Position

As at 31 December 2019

	<i>Notes</i>	2019 £'000	2018 £'000
<b>Non current assets</b>			
Investments	3	-	10,647
Intangible assets	4	95	100
Property, plant & equipment	5	372	678
		<u>467</u>	<u>11,425</u>
<b>Current assets</b>			
Trade and other receivables	6	9,596	59,189
Cash and cash equivalents		10,225	4,810
		<u>19,821</u>	<u>63,999</u>
<b>Current liabilities</b>			
Trade and other payables	7	23,236	14,229
		<u>(3,415)</u>	<u>49,770</u>
<b>NET CURRENT (LIABILITIES)/ASSETS</b>		<u>(3,415)</u>	<u>49,770</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>(2,948)</u>	<u>61,195</u>
<b>NET (LIABILITIES)/ASSETS</b>		<u>(2,948)</u>	<u>61,195</u>
<b>EQUITY</b>			
Issued share capital	8	39	34
Share premium		223,182	183,193
Retained deficit		(226,169)	(122,032)
<b>TOTAL EQUITY</b>		<u>(2,948)</u>	<u>61,195</u>

These financial statements have been approved by the Board of Directors and signed on its behalf by



A. Piccioni

17 May 2021

Registered company number: 06457679

The notes on pages 51 to 62 form part of these financial statements.

# Hotspring Ventures Limited

## Parent Company Statement of Changes in Equity

For the year ended 31 December 2019

		<i>Issued share capital</i>	<i>Share premium</i>	<i>Retained deficit</i>	<i>Total shareholders equity</i>
	<i>Notes</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>At 31 December 2017</b>		<b>30</b>	<b>148,197</b>	<b>(94,296)</b>	<b>53,931</b>
Issue of shares	8	4	34,996	-	35,000
Share based payments charge		-	-	141	141
Loss for the year		-	-	(27,877)	(27,877)
<b>At 31 December 2018</b>		<b>34</b>	<b>183,193</b>	<b>(122,032)</b>	<b>61,195</b>
Issue of shares	8	5	39,989	-	39,994
Share based payments charge		-	-	85	85
Loss for the year		-	-	(104,222)	(104,222)
<b>At 31 December 2019</b>		<b>39</b>	<b>223,182</b>	<b>(226,169)</b>	<b>(2,948)</b>

The notes on pages 51 to 62 form part of these financial statements.

# Hotspring Ventures Limited

## Notes to the Parent Company Financial Statements

For the Year Ended 31 December 2019

### 1. Accounting policies

#### *General information*

Hotspring Ventures Limited is a private company limited by shares and is incorporated in England and Wales. The registered office is Fairfax House, 15 Fulwood Place, London, WC1V 6HU.

#### *Basis of preparation*

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis.

The financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£'000) except when otherwise indicated.

The parent company has taken advantage of section 408 of the Companies Act 2006 and has not included its own Profit and Loss Account in these financial statements. The parent company's loss for the year was £104.2m (2018: £27.9m).

The parent company has taken advantage of the exemption which is conferred by FRS 102 that allows it not to present a parent company cash flow statement.

The parent company has taken advantage of the exemption which is conferred by FRS 102 that allows it not disclose transactions with group undertakings that are wholly owned.

#### *Going concern*

In June 2020, the parent company was fully acquired by Real Web Ventures Limited, a fully owned subsidiary of Real Web S.A. (the Real Web group). This change of ownership, along with the COVID-19 pandemic has driven an impactful change in the way the parent company is operating and approaching spend, with a focus on becoming profitable and self-sufficient in its own investment, both in the current circumstances and in the future.

The COVID-19 pandemic, also known as the coronavirus pandemic, is an ongoing pandemic of coronavirus disease 2019 (COVID-19). The disease was first identified in December 2019 and The World Health Organization declared the outbreak a Public Health Emergency of International Concern on 30 January 2020, and subsequently a pandemic on 11 March 2020.

The COVID-19 pandemic, with its associated lock-downs, materially impacted business performance in 2020, continuing into 2021, however, the parent company received government aid for employment costs in most markets, have made headcount reductions and associated annual employment cost savings and also made impactful reductions to variable costs with a view to reduce costs as much as possible, which is also in line with the strategy of the new shareholders.

The parent company continued to benefit from support from investors throughout the period under review. In 2020, the parent company received additional funding of £20m from Recruit Co Limited in the period prior to its change of ownership. Following the change of ownership, the parent company has received additional funding of €20m (in the form of both capital and shareholder loans) from the new owner Real Web Ventures Limited to support further growth and market development. The directors remain confident that the parent company is in a secure position to meet the future demands of its business customers and consumers.

Despite the sustained level of substantial investment in all of its markets during the period under review and given the vast improvement to the group's results under the new management, the directors have a reasonable expectation that the company and the group have adequate resources to continue operating for the foreseeable future with the ongoing support of Real Web S.A., which has been confirmed in writing. The directors have also considered the ability of the parent company to provide continued financial support and received the necessary support to enable them to conclude on that ability. Thus the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

#### *Revenue recognition*

Revenue comprises of commissions earned from consumer bookings and vouchers purchased online through the Treatwell platform, subscription fees for the provision of salon management software and other income from various marketing partnerships.

# Hotspring Ventures Limited

## Notes to the Parent Company Financial Statements

For the Year Ended 31 December 2019

### 1. Accounting policies (continued)

#### *Revenue recognition (continued)*

Revenue is recognised in respect of commissions at the time of booking, which is the point in time the group considers it has performed its obligations under the contract. The group holds a provision for cancellations against these bookings.

Subscription revenue is recognised evenly over the period to which the subscription relates as the customer simultaneously receives and consumes benefits to them. The cost profile to the group remains consistent throughout the provision of the service.

Other revenue is recognised in line with the performance obligations of the contract and is assessed on a contract by contract basis.

The company has generally concluded that it is the principal in its revenue arrangements. The company considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated.

In determining the transaction price, the company considers the effects of variable consideration, constraining estimates of variable consideration, the existence of significant financing component in the contract, non-cash consideration and consideration payable to a customer in determining the transaction price.

#### *Property, plant and equipment*

Property, plant and equipment are stated at cost less accumulated depreciation and impairment. Such cost includes the cost of replacing part of the property, plant and equipment when the cost is incurred, if the recognition criteria are met, in which case the carrying value of the replaced part is written off. All major repairs and maintenance costs are recognised in the income statement as incurred.

Depreciation is calculated on a straight line basis over the useful life of the asset as follows:

Leasehold improvements	over lease term
Computer equipment & other	3 years
Furniture & office equipment	3-4 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is de-recognised.

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end. The assets are reviewed for impairment if events or circumstances indicate the carrying value may not be recoverable, and are written down immediately to their recoverable amount.

#### *Intangible assets*

Expenditure on the research phase of projects to develop new customised software is recognised as an expense as incurred. Costs that are directly attributable to a project's development phase are recognised as intangible assets, provided they meet the following recognition requirements:

- the development costs can be measured reliably
- the project is technically and commercially feasible
- the group intends to and has sufficient resources to complete the project
- the group has the ability to use or sell the software
- the software will generate probable future economic benefits

Development costs not meeting these criteria for capitalisation are expensed as incurred. Only employee costs incurred on software development have been included as directly attributable costs.

All intangible assets with a finite life, including internally developed software, are accounted for using the cost model whereby capitalised costs are amortised on a straight line basis over their estimated useful lives. Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing. The useful lives used are:

Software - Other	3 years
------------------	---------

# Hotspring Ventures Limited

## Notes to the Parent Company Financial Statements

For the Year Ended 31 December 2019

### 1. Accounting policies (continued)

#### *Investments*

Investments are measured at cost less accumulated depreciation.

#### *Cash and cash equivalents*

Cash and cash equivalents in the statement of financial position comprise cash at bank and short term deposits with a maturity of three months or less.

#### *Impairment of non-financial assets*

The company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or company's of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. For further information, see note 2.

Impairment losses of continuing operations are recognised in the consolidated statement of comprehensive income as a highlighted item in the period in which they are incurred.

Where the recoverable amount of the cash generating units is less than the carrying amount, an impairment loss is recognised.

#### *Financial assets*

##### *Initial recognition and measurement*

Financial assets classified and measured at amortised cost are held with the objective to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e. the date that the company commits to purchase or sell the asset.

##### *Subsequent measurement*

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

##### *Financial assets at amortised cost (debt instruments)*

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The company's financial assets at amortised cost includes trade and other receivables.

##### *Derecognition*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the company's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the group has transferred substantially all the risks and rewards of the asset, or (b) the group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

# Hotspring Ventures Limited

## Notes to the Parent Company Financial Statements

For the Year Ended 31 December 2019

### 1. Accounting policies (continued)

#### *Financial assets (continued)*

##### *Derecognition (continued)*

When the company has transferred its rights to receive cash flows from an asset or has entered into a passthrough arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the company could be required to repay.

##### *Impairment*

Further disclosures relating to impairment of financial assets are provided in note 11 of the group financial statements. The company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages:

For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the company applies a simplified approach in calculating ECLs. Therefore, the company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

##### *Other financial assets*

Financial assets within the scope are classified as financial assets held at fair value through profit or loss, fair value through other comprehensive income or amortised cost, as appropriate.

The company currently holds no financial assets held at fair value through profit or loss or fair value through other comprehensive income. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit and loss, directly attributable transaction costs.

The company determines the classifications of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

##### *Financial liabilities*

###### *Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings or payables as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The company's financial liabilities include trade and other payables.

# Hotspring Ventures Limited

## Notes to the Parent Company Financial Statements

For the Year Ended 31 December 2019

### 1. Accounting policies (continued)

#### *Financial liabilities (continued)*

##### *Subsequent measurement*

For purposes of subsequent measurement, financial liabilities are classified at amortised cost (loans and borrowings).

##### *Interest bearing loans and borrowings*

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

##### *Derecognition*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of profit or loss.

##### *Leases*

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Finance leases, which transfer to the company substantially all the risk and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the leased liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in the income statement.

Capitalised lease assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the company will obtain ownership by the end of the lease term.

Operating lease rentals, together with lease incentives are charged to the income statement on a straight line basis over the term of the lease.

##### *Provisions*

Provisions are recognised when the company has a probable, present legal or constructive obligation to make a transfer of economic benefits as a result of past events where a reliable estimate is available. The amounts recognised represent the company's best estimate of the transfer of benefits that will be required to settle the obligation as of the statement of financial position date. Provisions are discounted if the effect of the time value of money is material using a pre-tax market rate adjusted for risks specific to the liability.

##### *Share-based payments*

###### *Equity-settled transactions*

The costs of equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date of grant and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award.

Fair value is determined using the binomial pricing model. In valuing equity-settled transactions, no account is taken of any service and performance (vesting) conditions, other than performance conditions linked to the price of the shares of the company (market conditions). Any other conditions which are required to be met in order for the employee to become fully entitled to an award are considered non-vesting conditions. Like market performance conditions, non-vesting conditions are taken into account in determining the grant date fair value.

# Hotspring Ventures Limited

## Notes to the Parent Company Financial Statements

For the Year Ended 31 December 2019

### 1. Accounting policies (continued)

#### *Share-based payments (continued)*

##### *Equity-settled transactions (continued)*

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market vesting condition or a non-vesting condition, which are treated as vesting irrespective of whether or not the market vesting condition or non-vesting condition is satisfied, provided that all service and non-market vesting conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of service and non-market vesting conditions and of the number of equity instruments that will ultimately vest or, in the case of an instrument subject to a market condition or a non-vesting condition, be treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity.

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the terms of the original award continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of modification. No reduction is recognised if this difference is negative.

Where an equity-settled award is cancelled (including when a non-vesting condition within the control of the entity or employee is not met), it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the income statement for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over the fair value of the settled award being treated as an expense in the income statement.

#### *Taxes*

##### *Current income tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date. Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

##### *Deferred income tax*

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognised for all taxable temporary differences, except: where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and in respect of taxable temporary differences associated with investments in subsidiaries, associates and interest in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except: where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and in respect of deductible temporary differences associated with investments in subsidiaries, associates and interest in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that the future taxable profit will allow the deferred tax asset to be recovered.

# Hotspring Ventures Limited

## Notes to the Parent Company Financial Statements

For the Year Ended 31 December 2019

### 2. Significant accounting estimates, judgements and assumptions

The preparation of the company's financial statements requires management to make estimates, judgements and assumptions that affect the reported amounts of assets and liabilities at the balance sheet date, amounts reported for revenues and expenses during the year, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the assets or liability affected in the future.

In the process of applying the company's accounting policies, management has made the following judgments and estimates which have the most significant effect on the amounts recognised in the financial statements:

#### *Retirement benefits*

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. The assets of the plan are held separately from the company in independently administered funds.

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

#### *Estimates*

##### *Impairment of non-financial assets*

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on similar assets or observable market prices less incremental costs for disposing of the assets. The value in use calculation is based on a discounted cash flow model. The recoverable amount is most sensitive to changes in expected future cash flows. The cash flows are derived from the budget and projections for the next five years. These projections are influenced by factors which are inherently uncertain such as website traffic and non-controllable costs such as rent, rates and license costs. They do not include restructuring activities that the company is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is also sensitive to the discount rate used for the discounted cash flow model and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different cash generating units, including a sensitivity analysis, are disclosed further in note 18 to the group accounts. Non-financial assets are within notes 3, 4 and 5.

##### *Impairment of financial assets*

Management assess whether there are indicators of impairment of investment balances on an annual basis. Where there are indicators of impairment of individual assets, management estimate the recoverable amount of each asset based on expected future cash flows and use an appropriate interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

Management assess the recoverability of trade receivables, amounts due from group undertakings, amounts owed by related parties and other receivable balances and record a provision to the extent that the balances are not considered recoverable.

#### *Judgements*

##### *Operating lease commitments*

The company has entered into commercial property leases as a lessee. In doing so, it obtains the use of property, plant and equipment. The classification of such leases as operating or finance lease requires the company to determine, based on an evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant risk and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the statement of financial position.

# Hotspring Ventures Limited

## Notes to the Parent Company Financial Statements

For the Year Ended 31 December 2019

### 3. Investments

	2019	2018
	£'000	£'000
<i>Investments in subsidiary companies</i>		
Treatwell BNL B.V.	-	1,016
Treatwell DACH GmbH	-	7,010
Treatwell FR SAS	-	1,889
Treatwell IT s.r.l.	-	9
Treatwell LT UAB	-	720
Treatwell Spain s.l.	-	3
Treatwell US Inc	-	-
	<u>-</u>	<u>10,647</u>
<i>Cost:</i>	<i>£'000</i>	
At 31 December 2017	33,248	
Additions in year	7,048	
Disposals in year	<u>(7,411)</u>	
<b>At 31 December 2018</b>	<b><u>32,885</u></b>	
Additions in year	5,044	
Disposals in year	<u>(5,044)</u>	
<b>At 31 December 2019</b>	<b><u>32,885</u></b>	
<i>Accumulated impairment:</i>		
At 31 December 2017	24,166	
Impairment loss	-	
<b>At 31 December 2018</b>	<b><u>24,166</u></b>	
Impairment loss	<u>10,111</u>	
<b>At 31 December 2019</b>	<b><u>34,277</u></b>	
<i>Accumulated FX gain:</i>		
At 31 December 2017	1,751	
FX gain	<u>177</u>	
<b>At 31 December 2018</b>	<b><u>1,928</u></b>	
FX loss	<u>(536)</u>	
<b>At 31 December 2019</b>	<b><u>1,392</u></b>	
<i>Net Book Value:</i>		
At 31 December 2018	<u>10,647</u>	
<b>At 31 December 2019</b>	<b><u>-</u></b>	

On 15 October 2019, Treatwell FR SAS completed a debt for equity swap of £5.0m (2018: £7.4m).

On 31 December 2019, management conducted an impairment review of the carrying value of its investments. This review considered the recoverable amount of the investments after deducting their liabilities to external suppliers and the liabilities owed to the parent company. This review resulted in all investments being impaired in full (£10.1m) (2018: nil).

For details of all direct and indirect subsidiaries of the company, refer to note 8 of the group financial statements.

# Hotspring Ventures Limited

## Notes to the Parent Company Financial Statements

For the Year Ended 31 December 2019

### 4. Intangible assets

	<i>Software</i>
	<i>£'000</i>
<i>Cost:</i>	
At 31 December 2017	194
Additions	8
<b>At 31 December 2018</b>	<b>202</b>
Additions	67
<b>At 31 December 2019</b>	<b>269</b>
<i>Amortisation &amp; Impairment:</i>	
At 31 December 2017	36
Charge for the year	66
<b>At 31 December 2018</b>	<b>102</b>
Charge for the year	72
<b>At 31 December 2019</b>	<b>174</b>
<i>Net Book Value:</i>	
At 31 December 2018	100
<b>At 31 December 2019</b>	<b>95</b>

# Hotspring Ventures Limited

## Notes to the Parent Company Financial Statements

For the Year Ended 31 December 2019

### 5. Property, plant and equipment

	<i>Leasehold Improvements</i>	<i>Computer Equipment &amp; Other</i>	<i>Furniture &amp; Office Equipment</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>Cost:</b>				
At 31 December 2017	457	488	290	1,235
Additions	47	283	47	377
Transfers	(12)	14	10	12
Disposals	-	(25)	-	(25)
<b>At 31 December 2018</b>	<b>492</b>	<b>760</b>	<b>347</b>	<b>1,599</b>
Additions	86	172	21	279
<b>At 31 December 2019</b>	<b>578</b>	<b>932</b>	<b>368</b>	<b>1,878</b>
<b>Depreciation &amp; Impairment:</b>				
At 31 December 2017	212	305	136	653
Charge for the year	30	152	74	256
Transfers	(13)	15	10	12
<b>At 31 December 2018</b>	<b>229</b>	<b>472</b>	<b>220</b>	<b>921</b>
Charge for the year	32	184	52	268
Impairment	317	-	-	317
<b>At 31 December 2019</b>	<b>578</b>	<b>656</b>	<b>272</b>	<b>1,506</b>
<b>Net Book Value:</b>				
At 31 December 2018	263	288	127	678
<b>At 31 December 2019</b>	<b>-</b>	<b>276</b>	<b>96</b>	<b>372</b>

### 6. Trade and other receivables

	2019	2018
	<i>£'000</i>	<i>£'000</i>
Trade and other receivables	2,899	2,663
Amounts due from company undertakings	6,057	55,647
Amounts owed by related parties	640	879
	<b>9,596</b>	<b>59,189</b>

At year end, amounts due from company undertakings were reviewed for impairment. This review resulted in £58.4m being taken up as a provision (2018: Nil).

Amounts due from company undertakings are interest bearing and repayable on demand. Amounts owed by related parties are non-interest bearing and repayable on demand.

Amounts due from company undertakings accrue interest at 2.5% above the base rate of The Bank of England, payable in arrears.

# Hotspring Ventures Limited

## Notes to the Parent Company Financial Statements

For the Year Ended 31 December 2019

### 7. Trade and other payables

	2019	2018
	£'000	£'000
Trade payables	5,439	3,900
Accrued expenses	10,558	4,741
Deferred revenue	830	563
Other taxes and social security costs	24	72
Amounts due to company undertakings	6,385	4,953
	<u>23,236</u>	<u>14,229</u>

Amounts due to company undertakings are non-interest bearing and repayable on demand.

### 8. Issued share capital

Ordinary shares called up and fully paid	<i>As at 31 December 2019</i>		<i>As at 31 December 2018</i>	
<i>Ordinary shares issued and fully paid</i>	<i>Number</i>	<i>£'000</i>	<i>Number</i>	<i>£'000</i>
Series C2 shares at £0.01 each	<u>3,905,766</u>	<u>39</u>	<u>3,431,062</u>	<u>34</u>

On 6 February 2019, the company raised funds of £40.0m by issuing 474,704 Series C2 shares to RGF Beauty UK Limited and RGIP LLC, the ultimate beneficiary of both was Recruit Holdings Co. Ltd. These were fully paid in cash.

### 9. Commitments

#### *Operating lease commitments*

Total minimum lease payments under non-cancellable operating leases are as follows:	2019	2018
	£'000	£'000
Operating leases payment due:		
Within one year	982	740
In two to five years	3,929	3,140
In over five years	2,210	2,551
	<u>7,121</u>	<u>6,430</u>

# Hotspring Ventures Limited

## Notes to the Parent Company Financial Statements

For the Year Ended 31 December 2019

### 10. Ultimate parent undertaking and controlling party

On 2 June 2020 the ultimate parent company, Recruit Holdings Co. Ltd entered into an agreement for RGF Beauty Limited & RGIP LLC to sell 100% of the shares in Hotspring Ventures Limited to Real Web Ventures Limited on 24 June 2020.

At the year end, the parent companies were RGF Beauty UK Limited and RGIP LLC. The ultimate parent company was Recruit Holdings Co. Limited, a company incorporated in Japan. There was no deemed ultimate beneficial owner of Recruit Holdings Co. Limited. The smallest and largest group into which the results of Hotspring Ventures Limited are consolidated is headed by Recruit Holdings Co. Limited.

The principal place of business of Recruit Holdings Co. Limited is Gran Tokyo South Tower, 1-9-2 Marunouchi, Chiyoda-ku, Tokyo 100-6640 Japan and is a company listed on the Tokyo Stock Exchange. The financial statements of Recruit Holdings Co. Limited are publicly available and can be obtained online and from this address.

At the time of approving the financial statements, as described in note 11, the parent company of Hotspring Ventures Limited is Real Web Ventures Limited. The ultimate parent company is Real Web S.A., a company incorporated in Luxembourg. The controlling party of Real Web S.A. is Mr Andrea Piccioni. The smallest and largest group into which the results of Hotspring Ventures Limited are consolidated is headed by Real Web S.A..

The principal place of business of Real Web S.A. is 10, rue Antoine Jans, L-1820 Luxembourg. The financial statements of Real Web S.A. are publicly available and can be obtained from this address.

### 11. Events after the reporting period.

#### *Change of ownership*

On 2 June 2020 the ultimate parent company, Recruit Holdings Co. Ltd entered into an agreement for RGF Beauty Limited & RGIP LLC to sell 100% of the shares in Hotspring Ventures Limited to Real Web Ventures Limited on 24 June 2020. Ahead of this, on 22 June 2020 RGIP LLC transferred its shareholding in Hotspring Ventures Limited to its parent entity, Recruit Co. Limited. The change of ownership was completed in full on 24 June 2020 and resulted in impairment of goodwill of £8.6m being recorded in 2019.

#### *COVID-19*

The COVID-19 pandemic, also known as the coronavirus pandemic, is an ongoing pandemic of coronavirus disease 2019 (COVID-19). The disease was first identified in December 2019 and The World Health Organization declared the outbreak a Public Health Emergency of International Concern on 30 January 2020, and subsequently a pandemic on 11 March 2020. This has been treated as a non-adjusting subsequent event in these financial statements.

The COVID-19 pandemic, with its associated lock-downs, has materially impacted business performance in 2020 as all hair and beauty salons in the United Kingdom were initially closed for a period of at least six weeks in spring 2020. A second round of lockdowns in autumn 2020, and a third in winter 2020 forced the industry to close again for varying lengths of time in each country, continuing into 2021.

During the associated lock-downs, the parent company received government aid for employment costs, with total savings from this support estimated at £0.5m for the 2020 financial year. Along with the government aid received, the company brought forward planned restructuring and relocating of certain teams and a company wide review of all teams for efficiencies, resulting in reduced headcount and associated annual savings of –£1.9m. The parent company also made impactful reductions to variable costs with a view to reduce costs as much as possible during this period and in the future.

There remains uncertainty around the future trajectory of the pandemic. some level of social distancing measures are likely to be in place for the foreseeable future, impacting the capacity and economics of our salons, however with vaccines now becoming available it is looking more promising.