



Annual Report and Financial Statements

THE HUT GROUP[®]

ATTENTION TO RETAIL

Year Ended 31 December 2015

The Hut Group Limited. Company Number: 06539496

THEHUTGROUP®
ATTENTION TO RETAIL

CONTENTS

all.Sole
FOOTWEAR

BEAUTY
EXPERT

COGGLES

exantediet

HQhair

IWOOT™

KNUTSFORD
HAT & CO.

lookfantastic

MANKIND

Mass.ri

MYBAG

MYPROTEIN

myvitamins

POWER MAN®

Preloved™

probikekit
the online road cycling experts

THE HUT

zavvi

GROW GORGEOUS
SKINCARE

mio
fit skin for life

02

Directors and
advisors

24

Consolidated statement
of changes in equity

03

Strategic
report

25

Consolidated statement
of cash flows

12

Directors' report

26

Notes to the financial
statements

18

Independent
auditor's report

54

Company balance sheet

21

Consolidated statement of
comprehensive income

56

Company statement of
changes in equity

23

Consolidated
balance sheet

57

Notes to the Company
financial statements

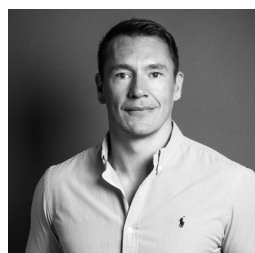
DIRECTORS



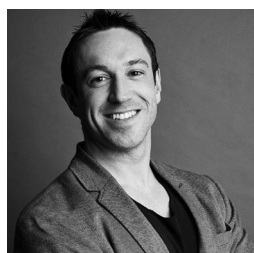
M J MOULDING
CEO



J A GALLEMORE
CFO



P J GEDMAN
EXECUTIVE DIRECTOR



A J DUCKWORTH
EXECUTIVE DIRECTOR
(APPOINTED 24 MAY 2015)



I McDONALD
NON EXECUTIVE DIRECTOR



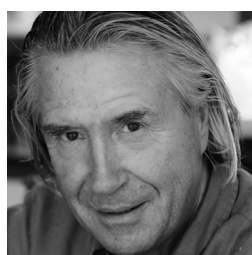
R J PENNYCOOK
NON EXECUTIVE DIRECTOR



W M EVANS
NON EXECUTIVE DIRECTOR



D P MURPHY
NON EXECUTIVE DIRECTOR



A MONRO
NON EXECUTIVE DIRECTOR

COMPANY SECRETARY



J P POCHIN

AUDITORS

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100 Barbirolli Square
Manchester
M2 3EY

BANKERS

Barclays Bank Plc

1 Churchill Place, London E14 5HP

HSBC

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Santander UK Plc

2 Triton Square, Regent's Place, London NW1 3AN

Lloyds Bank Plc

25 Gresham Street, London EC2V 7HN

The Royal Bank Of Scotland Plc

36 St Andrew Square, Edinburgh EH2 2YB

Allied Irish Banks Plc

Bankcentre, Ballsbridge, Dublin 4, Ireland

REGISTERED OFFICE

The Hut Group

Meridian House
Rudheath
Gadbrook Park
Northwich
Cheshire
CW9 7RA



01 STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2015

The Directors present their strategic report for The Hut Group Limited (“the Company”) and its subsidiaries (together “the Group”) for the year ended 31 December 2015.

HIGHLIGHTS

2015 firmly cemented the Group’s position as a prestige brand owner and global destination for premium Health and Beauty products, as our sales mix of own brand and international revenues both moved beyond 50% for the first time in our 11 year history. This progression was further reflected in our achievement of both record Group sales and earnings, supported by a very strong operating cash flow performance. During 2015, Group Sales and adjusted EBITDA increased by 35% and 33% respectively to £334 million and £30 million. Over the same period, the Group generated £42 million of cash from operations.

The consistent high growth financial performance of the Group over recent years was acknowledged by The Sunday Times, who recognised The Hut Group as having the fastest growing earnings for a private company in Britain by awarding the Group 1st place in the Sunday Times 2015 Profit Track supplement for the second year running.

Technology and Talent continue to power the globalisation of the Group.

Strong operating cash generation has again fully funded the investment in proprietary technology platform in the year. The platform underpins

the business by driving significant volumes of low cost and highly relevant traffic across the Group’s websites, continuing to improve frequency and conversion rates as customer journeys become ever more personalised.

Further improving the relevance of the platform to a global audience, the Group launched a further 22 trading websites during the year taking the total to 72 websites on the platform. These sites now trade in 21 languages, supported by 19 currencies and 16 localised payment options in addition to standard credit and debit card options.

The Hut Group’s employees are a key competitive advantage and 2015 witnessed another step change for our unique high performance culture by hiring 130 elite graduates. The opportunity for early responsibility and swift progression in a high growth global business has positioned the Group as the number one destination for ambitious and talented graduates. The Group is a sector pioneer and accordingly attracts a high proportion of graduates from the highly coveted S.T.E.M disciplines (Science, Technology, Engineering and Maths), significantly enhancing our data driven retailing approach.



The Group's new breed of digitally literate talent, allied to a strong meritocracy and its proprietary technology and data platform demonstrably reduces dependency on the skill and experience of the group's senior management team, at the same time creating and developing a leadership structure to deliver the Group's ambitions for the future.

To further enhance its proposition with elite S.T.E.M. graduates, the Group launched an app building contest for students (The Game of Code @ gameofcode.io).

During the year, the Group commenced an 18 month investment phase in both warehousing and distribution and manufacturing capability, laying down the foundations and infrastructure to support our next staging post of £1bn of sales.

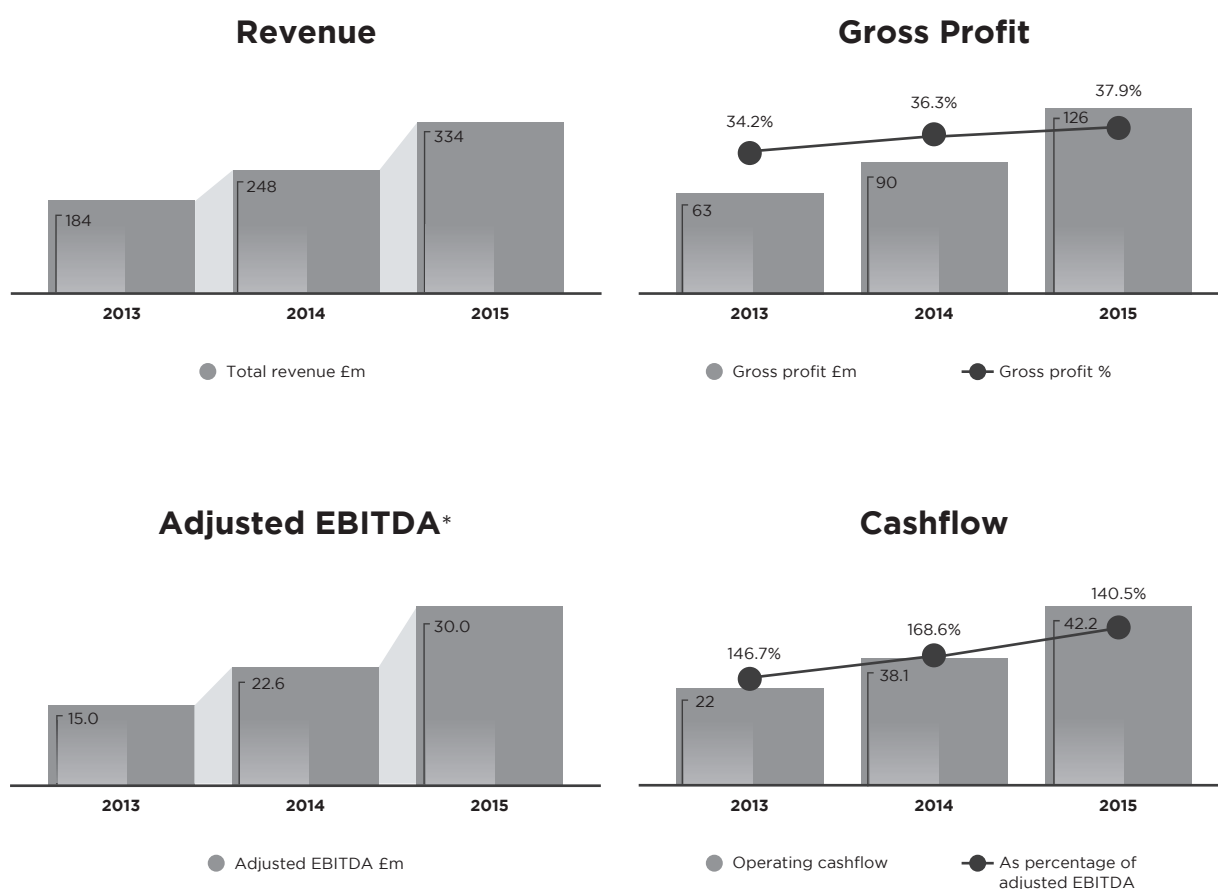
In November, the Group completed the construction of its bespoke 1 million sq. ft. global distribution and manufacturing centre at Omega, Warrington, a key milestone in a project that will see a £100 million investment by the Group. To complement the bricks and mortar investment, multiple improvements to the international delivery proposition have been launched with focus particularly on Europe, China and the US.

Furthermore, in December the Group announced it was investing £10 million in a US production facility for its Myprotein brand, its first outside of the UK.

The Group continued the evolution of its beauty category with the acquisition of the prestige body care brand, Mio Skincare (mioskincare.com), development of a global licensing team and internationalising existing prestige 3rd party beauty brands (e.g. Dr Lancer @ lancerskincare.com).

FINANCIAL HIGHLIGHTS

- Total Group Sales increased by 35%
- Gross Profit increased by 41% with gross margin up 160bps compared to 2014;
- Adjusted EBITDA* increased by 33% year-on-year and in line with sales growth;
- Cash generated from operations was 140.5% of adjusted EBITDA*;
- 50% of Group sales were to international customers compared to 46% in 2014;
- 52% of sales were derived from the Group's own brands (43% in 2014);
- Group sales CAGR of 32% and adjusted EBITDA* CAGR of 279% for the period 2010 to 2015
- Group profit before tax of £13.5m, up 204% on prior year.

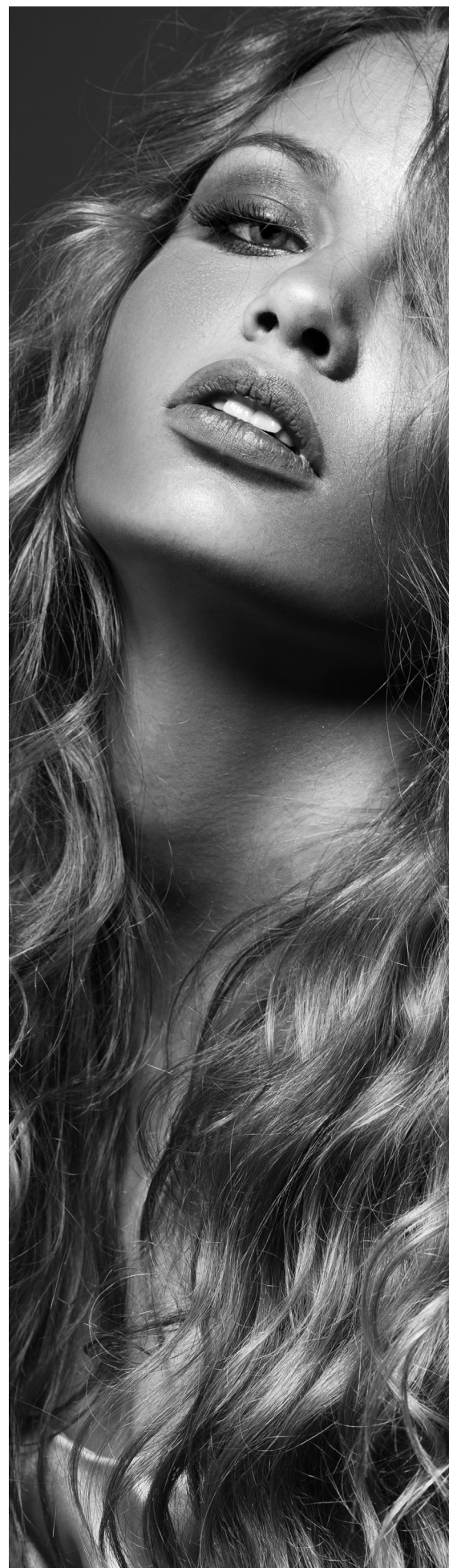


* Adjusted EBITDA is operating profit before depreciation, amortisation, share-based payments and exceptional items.

OPERATIONAL HIGHLIGHTS

The Group continued its commitment to invest in infrastructure ahead of consumer demand in order to ensure long-term scalability.

- The Group has initiated the integration phase of its new distribution and manufacturing centre of excellence. An initial £9 million has been invested in the sites fit-out to date, with a further £29 million of investment to follow in early 2016 which will see the centre reach its completion. The integration phase will ultimately see a consolidation of the Group's current 4 UK warehouses, enabling continued fulfilment improvements for consumers and operating cost efficiencies for the Group. Alongside this project, over £8m has been invested in sports nutrition supply chain enhancements in the period increasing both range and capacity of production. This particular investment phase will continue as we commission the manufacturing centre in the new distribution centre (DC).
- £11.7 million was invested in the proprietary technology platform which continues to drive significant volumes of low cost and highly relevant traffic to the Group's websites. During the year, the Group launched 22 trading websites increasing the total to 72 operated on the platform. These sites trade globally in 21 languages, supported by 19 currencies and 16 localised payment options.
- The acquisition of the US and UK based prestige skincare brand, Mio Skincare is the latest addition to the fast growing beauty division. This acquisition diversifies our beauty offering as we continue to develop our sales mix by augmenting our predominantly 3rd party prestige beauty brand offering with own-label ranges.
- Total visits in 2015 increased 17% year-on-year to 324 million, with our retail websites (excluding Preloved) increasing by 29%. The Group's total unique customer database increased 27% to 8.2 million. International visits grew 36% to 115 million.
- £1.8 million has been invested in the acquisition and refurbishment of a second office, The Stables, situated opposite from the current head office, Meridian House, enabling the Group to better accommodate the growth in employees experienced in 2015.
- The Group created a central Customer Science team of S.T.E.M graduates tasked with driving the data-decision culture throughout all departments of the Group, starting with Sales, Marketing and Technology. Through our real-time interface, all teams have complete access to granular traffic, conversion and sales data for all our websites.
- Our high performance culture gives us a diversity, vibrancy and intensity which delivers career progression and high growth trading results. Key successes include a 26 year old divisional CEO, a 24 year old Chief Marketing Officer and a further 30 department or line managers under the age of 24.



CAPITAL STRUCTURE HIGHLIGHTS

The Group agreed a significant increase in its available corporate debt facilities during 2015, amending the existing £80 million revolving credit facility ("RCF") facility to an increased £210 million facility (including a £30m accordion facility) provided by Barclays, HSBC and Santander with the welcome addition of Lloyds, RBS and Allied Irish Bank to the club. The increased facilities will be used for any strategic initiatives the Group may undertake. The scale and flexibility of the facility provides the Group with substantial capacity to accelerate its international expansion plans and fund possible future acquisitions.

Further to the Group's continued strong cash flow performance over a number of years, the Board decided to return surplus cash to shareholders during the year via £19.7 million of share buy-backs (see note 22).

Following the share transactions that arose in the year, the key shareholdings in the Group as at 31 December 2015 are as follows (fully diluted share capital):

Matthew & Jodie Moulding	22.11%
Balderton Capital	20.15%
Kohlberg Kravis Roberts & Co	20.15%
THG employees	14.09%
Zedra, Trustees of Oliver Nobahar-Cookson and family	10.28%

PRINCIPAL ACTIVITIES

The Hut Group is a specialist on-line retailer and brand owner, selling high repeat purchase goods direct to consumers across the Health and Beauty sectors including: sports nutrition and vitamins; weight management; prestige hair and skin care; prestige clothing, footwear and accessories.

The Group's proprietary technology platform is central to the business model, facilitating highly effective data-driven retailing through optimised website content and bespoke marketing content, generating high levels of consumer loyalty, choice, repeat purchase and satisfaction.

The Group launched its first website in 2004 and now operates 72 sites across 32 fascias, including local language and currency variations. During 2015, the Group served over 324 million visitors across its websites.

In addition to powering the Group's own brands and retail sites, the Group's Technology Services division provides business to business software and e-commerce platform services for media and brand partners (e.g. DMGT plc and Elizabeth Arden).

The Group focuses on product categories which share the following specific defining product characteristics: non-perishable, high repeat purchase, one-man delivery and low levels of customer returned products. The Group operates individually branded websites including:

- Health: including Myprotein.com, Myvitamins.com, ExanteDiet.com,
- Beauty: including Lookfantastic.com, Mankind.co.uk, HQHair.com, BeautyExpert.co.uk, Mioskincare.com, Growgorgeous.com
- The Group's own brands include: Myprotein, ExanteDiet, Myvitamins, Mio Skincare and Grow Gorgeous

For a complete listing of the Group's sites and further information, visit Thehutgroup.com

REVENUE

The Group generated total sales growth of 35% during the year, with sales increasing from £248 million to £334 million.

Europe continues to be a strong segment with sales increasing 47%. This rate of growth reflects not only the continued development of the international platform in the period, but also further improvements to our delivery network as we make use of the premium service. Improvements in the international platform include language, currency, payment and pricing flexibility by territory.

The rest of the world segment delivered similarly strong growth increasing 49% in the year and benefitting from the strong global appeal of brands within the product portfolio as well as developments made to the international platform noted above.

As a result, international sales now constitute over 50% of total sales revenue, an increase from 46% in 2014, growing at 48% in the year.

The Group's returns rate from customers remains low at 1.0% (2014: 0.9%), continuing to reflect the high repeat, highly personalised nature of the retail and product offering.

GROSS PROFITABILITY

The gross profit margin increased by 160bps in the year to 37.9% (2014: 36.3%).

This improvement was driven by a continued shift in sales mix towards more profitable, own brand Health and Beauty sales.

OPERATING EXPENSES

Administrative costs

This year has seen continued investment in the international proposition to both fuel and support the international annual sales growth rate of 48%.

Distribution costs remain well controlled at 16.8% of sales (2014: 15.9%), despite the increased volume of international dispatches. Warehousing costs, including people and packaging, remained constant at 4.7% on sales (2014: 4.7%), the balance to 16.8% being comprised of delivery and credit card processing costs.

Underlying administrative costs (staff, marketing, other administrative but excluding exceptional items, share based payments, depreciation and amortisation) increased during the year to £40.4 million (12.1% on sales) from £27.9 million in 2014 (11.2% on sales).

Marketing costs increased by 100bps in the year to 6.6% on sales (2014: 5.6%) driven by increased digital marketing activities as we continued to invest in own brand penetration and customer acquisition in international territories. Over 2.7m new customers transacted with the Group in the year, which combined with increasing annual repeat behaviour trends, positions the Group well to further accelerate growth into international territories from this growing base, at improving margins reflecting the own brand mix increase.

Staff costs excluding distribution decreased by 10bps to 4.6% on sales (2014: 4.7%), despite the significant investment in scalability, international growth and the success of the graduate talent programme.

Other administrative costs represent just 0.9% on sales (2014: 0.9%) which reflects the efficient nature of the operating model, even as the business grows.

Exceptional items

In order to understand the underlying performance of the Group, certain costs included within administrative costs, have been classified as exceptional items. These items principally relate to reorganisation costs associated with acquisitions and include dual site and technology decollation costs, redundancies, onerous lease costs and other one off costs. Refer to note 4 for further information.

Share-based payments

Part of the strategy of attracting, retaining and motivating talent, is a share option scheme. In total there are 70 participants in the Group's share schemes. The non-cash share-based payments charge for the year was £1.5 million (2014: £0.7 million).

Finance costs

Finance costs of £2.6 million primarily relate to arrangement fees and interest on the Group's new £210 million bank facility, replacing the previous £80 million facility in the year.

PRINCIPAL RISKS AND UNCERTAINTIES

The execution of the Group's strategy and the management of its business are subject to a number of risks and uncertainties. The principal risks and uncertainties include: competition, supply chain risk, technological change, and employee hiring and retention.

Competitor activities are constantly monitored to ensure that the business can react in a timely manner to such activity and ensure that the Group maintains a competitive position in each market in which it operates.

Significant effort is placed on working with suppliers to manage the potential risk of interruptions and delays in supply or distribution that may adversely impact on trade. The Group has multiple delivery routes and options, and uses multiple delivery service providers, to reduce the level of dependency on any single provider. There is continuous monitoring of service levels and warehouse handling to ensure goods are delivered in a timely manner. All products are on relatively short lead times, with a steady flow of products into the warehouse, enabling the supply chain to be diverted to alternative locations if necessary within a manageable time frame.

The Group's technology platform provides a real time, single data view of the business enabling trading and operational decisions to be based on high quality management information. On-going investment is made in the IT systems to ensure that they are able to continue to respond to the needs of the business and do not become obsolete. Business recovery processes are in place to minimise the effects of damage or denial of access to the infrastructure of systems.

The Group is able to attract and retain high calibre employees through a combination of competitive basic salaries and performance based bonuses coupled with share option schemes, which are open to individuals at every level in the business.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Senior management are aware of their responsibility for managing risks within their business units. The head of each business unit reports to the Board on the status of these risks through management reports. Risk is regularly reviewed at Board level to ensure that risk management is being implemented and monitored effectively.

The Board's policy is to ensure that the business units are empowered to operate effectively and appropriately, bearing in mind the requirements for timely decision making and commercial reality. Through management reports, risks are highlighted and monitored to identify potential business risk areas and to quantify and address the risk wherever possible.

Commercial and general risk

Standard form contracts are provided by the Group's in-house legal team for commercial use and to ensure the commercial functions negotiate within approved parameters. Insurance policies are regularly reviewed to ensure these are adequate, appropriate and in line with the nature, size and complexity of the business.

Financial risk management

The Group's operations involve exposure to credit risk, liquidity risk, currency risk and interest rate risk. The Board's policies for managing these financial risks are implemented by the Chief Financial Officer.

Credit risk

The majority of the Group's customers pay in advance for purchases. Where services are supplied without advance payment, a credit review of the customer is undertaken at the point the order is received and subsequently on a periodic basis. The maximum credit risk exposure is represented by the carrying value as at the balance sheet date (see note 15). The credit risk on bank balances is considered to be low as they are held with A rated counterparties.

Liquidity risk

The Group regularly forecasts cash flow and maintains an appropriate balance of cash and debt facilities to ensure that sufficient funds are available from trading to cover future expenses and capital expenditure.

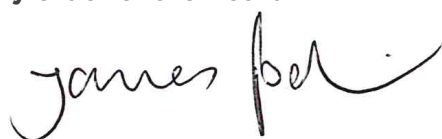
Currency risk

The Group receives an increasing proportion of its revenue in foreign currency. In addition certain key suppliers invoice in euros and US dollars. The Group aims to naturally hedge these transactions and where appropriate uses financial instruments in the form of foreign currency swaps to hedge future currency cash flows. The fair value of foreign currency swaps outstanding at the balance sheet date is detailed in note 14 to the financial statements.

Interest rate risk

The Group's interest rate risk arises from the revolving credit facilities in place. The Group reviews its exposure to variable interest rates on a regular basis and fixes rates for the period until the next capital repayment.

By order of the Board



J P Pochin
Company secretary
24 March 2016

02 DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2015

**The Directors present their report with
the audited consolidated financial
statements of The Hut Group Limited
and its subsidiaries for the year ended 31
December 2015.**

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2015 (2014: £nil).

The Board returned £19.7 million of equity to minority shareholders in a continued effort to provide ongoing shareholder liquidity.

RESEARCH AND DEVELOPMENT

The Group's e-commerce and technology services divisions are powered by its proprietary technology platform. In addition to providing end-to-end e-commerce functionality, the platform provides the Group with a number of important competitive advantages. Specifically, the commercial teams review real time transactional and customer insight data which informs trading decisions, which are then executed within short time frames. In order to remain competitive and to promote innovation, investment into the technology platform in terms of people and capital expenditure is a priority for the Group. The Group has over 200 full time staff dedicated to the continual enhancement of the platform.

EMPLOYEES

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and the appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

The Group seeks to retain high calibre employees through a combination of competitive basic salaries and performance based bonuses coupled with a share options scheme, which is open to individuals at every level in the business.

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests. Communication with all employees continues through the Group intranet, briefing groups and distribution of the Annual Report.



DIRECTORS' QUALIFYING THIRD PARTY AND PENSION INDEMNITY PROVISIONS

There were no qualifying third party and pension indemnity provisions during the year or in place at the date the Directors' Report was approved.

DONATIONS

During the year, the Group made several charitable donations totalling £48,000 (2014: £55,000).

DIRECTORS AND DIRECTORS' INTERESTS

The Directors of the Group who were in office during the year from 1 January 2015 and up to the date of signing the financial statements are listed below with the Directors' interests detailed in note 26.

M J Moulding

J A Gallemore

P J Gedman

A J Duckworth (appointed 24 May 2015)

I McDonald

R J Pennycook

W M Evans

D P Murphy

A Monro

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the Group and Company 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 Group financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union, and the Parent Company financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the 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;
- for the consolidated accounts, state whether IFRSs as adopted by the European Union have been followed;
- for the parent company accounts, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the parent company accounts; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Parent 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 Group and Parent Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

GOING CONCERN

The Directors have prepared the cash flow forecasts for a period of 12 months from the date of the approval of the financial statements. On the basis of the cash flow projections and projected headroom against the available facilities, the Directors are satisfied that it is appropriate to prepare the financial statements of the Company and Group on a going concern basis.

STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

For all persons who are Directors at the time of approval of the Annual Report:

- so far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

FINANCIAL RISK MANAGEMENT

Information in respect of financial risk management for the Group has been disclosed within the Strategic Report.

2016 OUTLOOK AND POST BALANCE SHEET EVENTS

Trading

The key trading trends in evidence throughout 2015 have continued in 2016, re-affirming management's confidence for the 2016 outlook. Management anticipate a strong level of revenue growth in 2016, driven both by continued growth in the UK and overseas, coupled with selective acquisitions. The shifts in the revenue mix in evidence over recent years are also expected to continue in 2016 with both own brand and international revenues expected to continually increase as a percentage of the total Group revenues.

The gross margin progression reported over successive recent years is also expected to continue in 2016, through a combination of increased own brand sales plus increased in-house production, following continued investment in the manufacturing centre of excellence.

The Group's strong cash flow model and continued working capital improvements will provide further liquidity to continue to re-invest in the business's infrastructure, most notably the proprietary platform.

Acquisitions

In February 2016, the Group acquired the Canadian headquartered prestige haircare brand, Grow Gorgeous, from the brand-house Deciem. Grow Gorgeous is sold in North America, the UK, Europe and the Far East both through online and offline retail channels. The transaction is the Group's second own-brand acquisition in 6 months and is a continuation of its strategy to augment its predominantly third party beauty brand offering with own label ranges. The Directors have not yet finalised the acquisition accounting and therefore no full IFRS 3 disclosure has been presented.

Share buy-back

On 3 March 2016, the Group completed a share buy-back of 24,477 shares funded from existing cash and banking resources.

AUDITORS

Ernst & Young LLP have expressed their willingness to continue in office in accordance with section 487(2) of the Companies Act 2006.

By order of the Board



J P Pochin
Company secretary
24 March 2016



03 INDEPENDENT AUDITORS' REPORT

**TO THE MEMBERS OF
THE HUT GROUP LIMITED**

FOR THE YEAR ENDED 31 DECEMBER 2015

We have audited the financial statements of The Hut Group Limited for the year ended 31 December 2015 which comprise the Group Statement of Financial Position, the Group Statement of Comprehensive Income, the Group Statement of Cash Flows, the Group Statements of Changes in Equity, the related notes to the financial statements 1 to 28, the Parent Company Balance Sheet, the Parent Company Statement of Changes in Equity and the related notes to the Parent Company financial statements 1 to 9. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

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.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement set out on page 15, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion:

- the Group financial statements give a true and fair view of the state of the Group's and of the Parents Company's affairs as at 31 December 2015 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 'Reduced Disclosure Framework'; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion 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.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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



Alastair John Richard Nuttall (Senior statutory auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
Manchester
29 March 2016

The Directors are responsible for the maintenance and integrity of the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

04 CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 £'000	2014 £'000
Revenue	2	333,543	247,976
Cost of sales	13	(207,176)	(158,061)
Gross profit		126,367	89,915
Distribution costs		(55,935)	(39,348)
Administrative costs		(52,623)	(42,215)
Operating profit	3	17,809	8,352
Adjusted EBITDA*		30,041	22,609
Depreciation	12	(3,482)	(2,037)
Amortisation	11	(8,382)	(5,570)
Operating profit before exceptional items and share-based payments		18,177	15,002
Share-based payments	7	(1,512)	(707)
Exceptional items	4	1,144	(5,943)
Operating profit		17,809	8,352
Finance income	8	83	50
Finance costs	8	(2,622)	(1,787)
Profit before taxation		15,270	6,615
Income tax charge	9	(1,783)	(2,180)
Profit for the financial year		13,487	4,435
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations, net of tax		(22)	-
Total comprehensive income for the financial year	22	13,465	4,435

*Adjusted EBITDA is defined as operating profit before depreciation, amortisation, share-based payments and exceptional items.

The results for the year are derived from continuing activities.

The comprehensive income is 100% attributable to the owners of the parent company.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

	Note	2015 £'000	2014 £'000
Non-current assets			
Intangible assets	11	129,436	121,164
Property, plant and equipment	12	29,466	8,220
		158,902	129,384
Current assets			
Inventories	13	34,887	27,451
Trade and other receivables	15	12,811	8,128
Current tax asset		367	1,025
Cash and cash equivalents	16	141,535	54,587
		189,600	91,191
Total assets		348,502	220,575
Equity			
Ordinary shares	22	2,743	2,915
Share premium	22	13,748	14,294
Employee benefit scheme reserve	22	175	175
Merger reserve	22	615	615
Capital redemption reserve	22	457	285
Retained earnings	22	45,565	50,196
		63,303	68,480
Non-current liabilities			
Borrowings	18	175,197	60,192
Deferred tax	20	2,860	3,152
		178,057	63,344
Current liabilities			
Trade and other payables	17	99,666	88,057
Borrowings	18	7,061	448
Provisions	19	415	246
		107,142	88,751
Total liabilities		285,199	152,095
Total equity and liabilities		348,502	220,575

The financial statements on pages 22 to 53 were approved by the board of Directors on 24 March 2016 and were signed on its behalf by:



J A Gallemore
Director
Registered number: 06539496

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	Ordinary shares £'000	Share premium £'000	Employee benefit scheme reserve £'000	Merger reserve £'000	Capital redemption reserve £'000	Retained earnings £'000	Total Equity £'000
Balance at 1 January 2014		3,055	86,640	175	615	-	(13,633)	76,852
Total comprehensive income for the year		-	-	-	-	-	4,435	4,435
Issue of ordinary share capital		145	7,946	-	-	-	-	8,091
Share buy-backs		(285)	(292)	-	-	285	(21,313)	(21,605)
Capital reduction		-	(80,000)	-	-	-	80,000	-
Share-based payments	7	-	-	-	-	-	707	707
Balance at 31 December 2014		2,915	14,294	175	615	285	50,196	68,480
Balance at 1 January 2015		2,915	14,294	175	615	285	50,196	68,480
Total comprehensive income for the year	22	-	-	-	-	-	13,465	13,465
Share buy-backs	22	(172)	(546)	-	-	172	(19,750)	(20,296)
Share-based payments	7	-	-	-	-	-	1,512	1,512
Deferred tax effect of share-based payments	20	-	-	-	-	-	142	142
Balance at 31 December 2015		2,743	13,748	175	615	457	45,565	63,303

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 £'000	2014 £'000
Cash flows from operating activities			
Cash generated from operations	24	42,201	38,169
Income tax (paid) / received		(896)	(1,303)
Net cash generated from operating activities before exceptional cash flows		41,305	36,866
Cash flows relating to exceptional items		(4,947)	(4,820)
Cend Limited vendor case damages awarded		4,743	-
Net cash generated from operating activities		41,101	32,046
Cash flows from investing activities			
Acquisition of subsidiaries net of cash acquired	10	(3,339)	(7,076)
Settlement of deferred consideration		(10,800)	-
Purchase of property, plant and equipment		(23,190)	(3,796)
Proceeds from sale of property, plant and equipment		143	-
Purchase of intangible assets		(14,003)	(11,113)
Interest received		83	50
Net cash used in investing activities		(51,106)	(21,935)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares net of fees		-	8,091
Share buy-backs	22	(20,296)	(21,605)
Interest paid		(1,881)	(1,335)
Repayment of bank borrowings		(137,177)	(47,160)
Proceeds from bank borrowings net of fees		257,074	82,743
Capital element of finance lease payments		(767)	(258)
Net cash generated from financing activities		96,953	20,476
Net increase in cash and cash equivalents		86,948	30,587
Cash and cash equivalents at the beginning of the year		54,587	24,000
Cash and cash equivalents at the end of the year	16	141,535	54,587

05

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

1. ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements of The Hut Group Limited (“the Company”) and its subsidiaries (together “the Group”) have been prepared in accordance with International Financial Reporting Standards (‘IFRS’) as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union (EU). The financial statements have been prepared on the historical cost basis except for derivatives which are held at fair value.

IFRS 16 Leases was issued after the balance sheet date and is effective for periods beginning on or after 1 January 2019. The application of IFRS 16 in the future may have a material impact on the amounts reported and disclosures made in the Group’s financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 16 until the Group performs a detailed review. There are no other IFRS amendments or IFRIC interpretations that are not yet effective that are expected to have a material impact on the Group’s financial statements.

The Company has adopted Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and has drawn up separate financial statements in accordance with FRS101. These are presented on pages 54 to 62.

The Company is a private limited company and is incorporated and domiciled in the UK.

Going concern

The Group meets its day-to-day working capital requirements through its bank facilities. The Group forecasts cash projections, taking account of reasonably possible changes in trading performance, demonstrating that the Group is able to operate within the level of its current facilities. After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

Accounting policies

The Group's key accounting policies are set out below. These policies have been prepared on the basis of the recognition and measurement requirements of IFRS standards in effect that apply to accounting periods beginning on or after 1 January 2015, and have been applied to 2014 comparatives.

a. Basis of consolidation

The Group financial statements consolidate those of the Company and all of its subsidiary undertakings drawn up to 31 December 2015. Subsidiaries are all entities over which the Group has control. The Group exercises control through a majority of voting rights or Board control.

In the case of The Hut Management Company Limited ("Manco") the Company holds a 0.01% shareholding, however the Company has a separate class of share in Manco which gives it the right to control the appointment of Board Directors. Consequently, Manco has been consolidated within the financial statements on the basis that through Board control, the Group has the power to control the financial and operational policies of Manco. All subsidiaries have a reporting date of 31 December.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a Group perspective.

Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group. Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

b. Business combinations

Business combinations are accounted for using the acquisition method under IFRS 3 'Business Combinations'. 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.

The Group recognises identifiable assets acquired, and liabilities assumed, including contingent liabilities, in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are measured at their acquisition-date fair values. These fair values can be re-assessed for a period of 12 months from the date of acquisition based on information available at the date of acquisition.

Goodwill is stated after separate recognition of other identifiable intangible assets. It is calculated as the excess of the sum of a) fair value of consideration transferred, b) the recognised amount of any non-controlling interest in the acquiree and c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in profit or loss immediately.

In determining whether a transaction is a business combination or an asset purchase, the Group takes into account the inputs, processes and outputs acquired in accordance with IFRS 3R.

c. Segment reporting

The Group is required to determine and present its operating segments based on the way in which financial information is organised and reported to the chief operating decision-maker (CODM). The CODM has been identified as the Board as it is the Board who make the key operating decisions of the Group, and is responsible for allocating resources and assessing performance of the operating segments.

d. Revenue

Revenue consists primarily of internet sales, which are sales recorded net of an appropriate deduction for actual and expected returns, fair value of loyalty points and sales taxes and are recognised upon dispatch from the warehouse at which point title and risk passes to third parties.

Revenue for services provided is recognised by reference to the stage of completion as at the balance sheet date. Fees recognised in respect of memberships are recorded on a straight line basis over the membership period.

e. Share-based payments

The Group operates share-based compensation plans, under which the Group receives services from employees as consideration for equity instruments (options or growth shares) of the Company. The fair value of the employee services received in exchange for the grant of the equity instruments is recognised as an expense.

Non-market vesting conditions are included in assumptions about the number of equity instruments that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of equity instruments that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

Share subscriptions by employees in the company that holds the growth shares, are included within the employee benefit scheme reserve.

When the equity instruments are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the equity instruments are exercised.

f. Intangible assets

Goodwill

Goodwill represents the excess of the cost of acquisitions over the Group's interest in the fair value of the identifiable assets and liabilities (including intangible assets) of the acquired entity at the date of acquisition. Goodwill is recognised as an asset and assessed for any indications of impairment at least annually. Any impairment is recognised immediately in the statement of comprehensive income. For the purposes of impairment testing, goodwill is allocated to those cash-generating units that have benefited from the acquisition. If the recoverable amount of the cash-generating unit is less than its carrying amount, then the impairment loss is allocated first to reduce the carrying amount of the goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit and loss on disposal.

Other intangible assets

Other intangible assets include internally developed software, separately acquired customer lists, domain and trade names, and brands and other intellectual property, including customer lists, acquired as part of business combinations.

Separately acquired intangible assets are measured at cost on initial recognition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and impairment losses. Internally generated assets, excluding capitalised developed software, are not capitalised and expenditure is reflected in the income statement in the year in which expenditure is incurred.

The costs of acquiring and developing the platform and websites is capitalised separately as an intangible asset. Capitalised website costs include external direct costs of material and services and overheads, and the payroll and payroll-related costs for employees who are directly associated with website development projects.

Intangible assets are amortised on a straight line basis over their estimated useful economic life. Amortisation is included within administrative expenses in the statement of comprehensive income in the period to which it relates. The estimates of useful economic lives are reviewed on an annual basis and any changes are reflected as changes in amortisation period and are treated as changes in accounting estimates.

Brands with indefinite lives are reviewed for impairment on an annual basis. The useful economic life is reviewed on an annual basis to confirm that the indefinite life continues to be supportable.

The following useful economic lives are applied:

Platform development costs	1-5 years
Brands	5 years-indefinite
Intellectual property (including customer lists, domain and trade names)	2-10 years

g. Property, plant and equipment

Property, plant and equipment are stated at historic purchase cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is provided at the following annual rates in order to write off each asset on a systematic basis over its estimated useful life.

Plant and machinery	3-5 years
Fixtures and fittings	3-5 years
Computer equipment and software	3-5 years
Freehold buildings	50 years
Motor vehicles	3 years

At each reporting date, property, plant and equipment is reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. When a review for impairment is conducted, the recoverable amount is assessed by reference to the net present value of expected future pre-tax cash flows of the relevant cash-generating unit or fair value, less costs to sell if higher. Any impairment in value is charged to the statement of comprehensive income in the period in which it occurs.

h. Inventories

Inventories are valued at the lower of cost and net realisable value, on a weighted average cost basis. Cost of purchase comprises the purchase price including import duties and other taxes, transport and handling costs and any other directly attributable costs, less trade discounts.

A provision is made to write down any slow-moving or obsolete inventory to net realisable value.

i. Financial instruments

Financial assets

Financial assets within the scope of IAS39 are classified as loans and receivables.

Derivative financial instruments

The Group uses derivative financial instruments, such as foreign currency swaps, to hedge its foreign currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Derivatives are not designated as hedges and accordingly, any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss.

i. Financial instruments (continued)

Trade and other receivables

Trade and other receivables are non-interest bearing and are initially recognised at fair value. Subsequently they are measured at amortised cost using the effective interest rate method less provision for impairment.

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

Financial liabilities and equity instruments

Financial liabilities within the scope of IAS39 are classified as financial liabilities at amortised cost. The Group has no financial liabilities at fair value through profit and loss and has no derivatives designated as hedging instruments.

Equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Trade and other payables

Trade and other payables are non-interest bearing and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Bank borrowings

Interest-bearing bank loans and overdrafts are initially recorded at fair value, which equals the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

j. Leased assets

Finance leases

Where assets are financed by leasing agreements that give rights approximating to ownership, the amount representing the outright purchase price is capitalised and the corresponding leasing commitments are shown as obligations to the lessor. The relevant assets are depreciated in accordance with the Group's depreciation policy or over the lease term if shorter. Net finance charges, calculated on the reducing balance method, are included in finance costs.

Operating leases

Payments made under operating leases, net of any incentives received from the lessor, are charged to the income statement on a straight line basis over the period of the lease.

k. Onerous contracts

A provision is made for onerous contracts, discounted at a risk free rate. This includes provision for future lease costs on disused warehouse space, based on management's best estimate of future rental costs and, if appropriate, rental income from sub-lease arrangements.

I. Exceptional items

The Directors apply judgement in assessing the particular items, which by virtue of their scale and nature should be classified as exceptional items. The Directors consider that separate disclosure of these items is relevant to an understanding of the Group's financial performance.

Items deemed to be exceptional include: certain items which are considered to be one-off and not representative of the underlying trading of the Group, including integration costs.

m. Taxation

The tax expense included in the statement of comprehensive income and statement of changes in equity comprises current and deferred tax.

Current tax is the expected tax payable based on the taxable profit for the period, and the tax laws that have been enacted or substantively enacted by the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Current and deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the current or deferred tax is also recognised directly in equity.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the accounts and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting 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 asset to be recovered. Deferred tax is calculated at the tax rates (and laws) that are expected to apply in the period when the liability is settled or the asset is realised.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities and where there is an intention to settle the balances on a net basis.

n. Foreign currency translation

Functional and presentational currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in sterling, which is the functional and presentational currency of all the entities in the Group, except for ANI and a subsidiary of Mio for which the functional currencies are Euro and US Dollar respectively.

Transactions and balances

Transactions denominated in foreign currencies are translated into the functional currency at the exchange rates prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange at the reporting date. Exchange differences on monetary items are taken to the statement of comprehensive income.

Group companies

On consolidation, the assets and liabilities of foreign operations are translated into the functional currency of the Group at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognised in profit or loss.

o. Significant estimates and judgements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. Actual results could differ from these estimates and any subsequent changes are accounted for with an effect on the financial statements at the time such updated information becomes available.

The most critical accounting policies in determining the financial position and results of the Group are those requiring the greatest degree of subjective or complex judgement and are detailed as follows:

Goodwill and intangible asset impairment reviews

The Group is required to review goodwill, brands and intellectual property with indefinite lives annually to determine if any impairment has occurred. Intangible assets with finite lives are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. When a review for impairment is conducted, the recoverable amount of an asset or a cash-generating unit is determined based on value-in-use calculations prepared on the basis of management's assumptions and estimates. Refer to note 11 for further details of the value-in-use calculations.

Valuation of intangible assets arising from business combinations and assessment of brands with indefinite lives

Business combinations may result in intangible assets such as customer lists and brands being recognised. These are valued using discounted cash flow methods which require judgements and estimates to be made in respect of future cash flows and discount rates. Refer to note 10 for customer lists and brands that have been recognised during the year. Furthermore, judgement is applied in assessing whether acquired brands have an indefinite useful economic life. Note 11 contains details of intangible assets with indefinite lives.

Capitalisation and amortisation of platform development costs

Costs capitalised as platform development costs include direct external costs, such as consultancy costs, and internal payroll costs. The capitalisation of internal costs is based on the amount of time spent by employees on capital projects. Judgement is applied in determining which costs meet the criteria for capitalisation as development costs. Refer to note 11 for details of capitalised platform development costs.

The useful economic life of the platform is considered to be between 1 and 5 years dependent on the type of development work capitalised. The estimate of useful economic life is reviewed on a regular basis to ensure that this continues to be appropriate.

Share-based payments

Critical estimates and assumptions are made in particular with regard to the calculation of the fair value of employee share options using appropriate valuation models. In addition estimation is required in assessing the number of options to vest and the vesting periods of the awards.

Exceptional items

The Group separately identifies and discloses significant one-off or unusual items which can have a material impact on the absolute amount of profit from operations and the result for the year. These are termed 'exceptional items' and are disclosed separately in the statement of comprehensive income in order to provide an understanding of the Group's underlying financial performance. Exceptional items are judgemental in their nature and may not be comparable to similarly titled measures used by other companies. Further details of the exceptional items are provided in note 4.

2. SEGMENT INFORMATION

The Group's principal activity is that of online retailing. The Group has made the following considerations in arriving at the disclosure in these financial statements.

IFRS 8 requires consideration of the chief operating decision maker (CODM) within the Group. In line with the Group's internal reporting framework and management structure, the key operating decisions and resource allocations are made by the Board. The Directors therefore consider the Board to be the CODM. Key internal reports reviewed by the CODM, primarily the Board management accounts, focus on the performance of the product categories.

The Group is deemed to have one reporting segment as the operations of all elements of the business are driven by the retail sales environment and hence have fundamentally the same economic characteristics. All operational decisions are focused on the performance of websites and the ability to utilise the technology platform that has been developed to drive profitability. The CODM reviews the Group results to Adjusted EBITDA level and therefore no reconciliation is required between the operating information and the information presented within these financial statements.

The below is an analysis of revenue by destination of delivery to customers:

	2015 £'000	2014 £'000
UK	166,301	134,671
Europe	107,046	72,924
Rest of the world	60,196	40,381
	333,543	247,976

Rendering of services represents 3% of total revenue (2014: 5%)

All material non-current assets are based in the UK.

3. OPERATING PROFIT

	Note	2015 £'000	2014 £'000
Operating profit has been arrived at after charging:			
Employee costs	6	26,032	21,307
Share-based payments	7	1,512	707
Depreciation	12	3,482	2,037
Profit on disposal of property, plant and equipment		(59)	-
Amortisation	11	8,382	5,570
Operating lease rentals:			
Motor vehicles		27	100
Land and buildings		1,943	1,794

4. EXCEPTIONAL ITEMS

	2015 £'000	2014 £'000
Integration of acquisitions and dual running costs	2,236	2,075
Advisor costs	328	3,868
Cend Limited vendor case damages awarded	(4,743)	-
Other acquisition costs	1,035	-
	(1,144)	5,943
Tax effect	(422)	(323)
	(1,566)	5,620

The rationale with all acquisitions is to fully maximise the Group's distribution and technology platform. Consequently, there is a process of reorganisation common across all acquisitions. These costs include dual site and technology decollation costs, redundancy, onerous lease costs and other one off costs. The costs in the year relate primarily to acquisition integration costs for Mio and costs associated with the integration of the Group's new distribution and manufacturing centre of excellence.

During the year, the Group settled deferred consideration net of an award for damages in our favour of £4.7m arising in respect of a claim against the vendors of Cend Limited as referenced in note 30 of the 2014 consolidated financial statements.

To recap, in 2014 the High Court awarded substantial damages to The Hut Group ruling that Mr Cookson and his off-shore trust had overstated the profits of Myprotein prior to its acquisition by The Hut Group in 2011. Mr Cookson and his off-shore trust did not contest the High Court's finding that they had overstated Myprotein's profits; rather, the appeal focused on a very narrow technical issue, that The Hut Group was time-barred from bringing its claim.

The appeal was dismissed unanimously by all three members of the Court of Appeal in March 2016. Accordingly, the Group has classified this as an adjusting post balance sheet event and released the award of £4.7m to the income statement in the year.

5. AUDITORS REMUNERATION

	2015 £'000	2014 £'000
Audit of the Company and consolidated financial statements	50	50
Other services :		
- audit of the Company's subsidiaries	45	45
- other audit related assurance services	64	43
- corporate finance services	423	44
	582	182

6. EMPLOYEE COSTS AND DIRECTORS' REMUNERATION

	Note	2015 £'000	2014 £'000
Wages and salaries		32,727	25,253
Social security costs		3,155	2,694
Pension costs	23	185	60
Share-based payments	7	1,512	707
		37,579	28,714

The aggregate amount of employee costs included above that have been capitalised within platform development costs was £10.0m (2014: £6.7m).

The costs incurred in respect of the Directors, who are regarded as the only key management personnel, were as follows:

	2015 £'000	2014 £'000
Directors' emoluments	1,195	784
Highest paid director	381	282

Details of Directors share-based payments are included in note 26.

No retirement benefits are accruing to any of the Directors at 31 December 2015 (2014: nil).

The average number of employees (including executive Directors) during the year was:

	2015 Number	2014 Number
Retail	400	316
Administration	249	209
Distribution	375	325
Information technology	207	199
	1,231	1,049

7. SHARE-BASED PAYMENTS

At 31 December the Group operated equity settled EMI and Growth Share schemes. Both schemes have been valued using the Black-Scholes model which takes into account the terms and conditions upon which the options were granted. At each balance sheet date, the Group revises its estimate of the number of options expected to vest upon the satisfied completion of the specific vesting conditions and the vesting period, being the expected date of a listing or sale of the Group. A reconciliation of option movements, and weighted average exercise price ("WAEP") over the year is shown below:

	Number 2015	WAEP 2015	Number 2014	WAEP 2014
Outstanding at 1 January	410,792	5.42	421,917	5.28
Granted	-	-	-	-
Lapsed	(23,888)	5.61	(11,125)	1.00
Outstanding at 31 December	386,904	5.41	410,792	5.42

The charge for the current year is £1.5m (2014: £0.7m).

The lowest exercise price of share options outstanding at the end of the period was £1.00 (2014: £1.00) and the highest exercise price was £8.25 (2014: £8.25).

8. FINANCE INCOME AND COST

	2015 £'000	2014 £'000
Finance income		
Bank interest receivable	83	50
Finance costs		
Bank interest payable and charges	2,548	1,736
Finance lease interest	74	51
	2,622	1,787

9. INCOME TAX

	Note	2015 £'000	2014 £'000
Current tax			
Tax charge for the year		1,941	538
Adjustments in respect of prior year		235	(325)
		2,176	213
Deferred tax			
Origination and reversal of temporary differences		(346)	1,910
Adjustments in respect of prior year		15	57
Change in tax rates		(62)	-
	20	(393)	1,967
Total income tax charge		1,783	2,180

9. INCOME TAX (CONTINUED)

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate as follows:

	2015 £'000	2014 £'000
Profit before tax	15,270	6,615
Profit before tax at 20.25% (2014: 21.50%)	3,092	1,422
Tax effects of:		
Adjustments in respect of prior year	250	(268)
Expenses not deductible / non-taxable income	(1,023)	1,371
R&D enhanced deductions	(500)	(395)
Effect of lower tax rates in other jurisdictions	-	(4)
Effect of change in tax rate	(62)	-
Losses not recognised	26	54
Total income tax charge	1,783	2,180

The standard rate of Corporation Tax in the UK changed from 21% to 20% with effect from 1 April 2015. Accordingly, the Group's profits for this accounting period are taxed at an effective rate of 20.25%. The reduction of the main rate of Corporation Tax from 20% to 19% from 1 April 2017 and to 18% from 1 April 2020 was included within the Summer Finance Bill 2015, which was substantively enacted on 26 October 2015. Future profits will be taxed at the appropriate rate. Deferred tax as at 31 December 2015 has been calculated at 18% (2014: 20%); the enacted rate at which the deferred tax is expected to reverse.

10. BUSINESS COMBINATIONS

On 13 August 2015, the Group acquired the entire share capital of Mama Mio Limited ("Mio") for a cash consideration of £3.7m. Mio is an online retailer of its own brand skincare products.

The carrying amount of assets and liabilities in the books of the acquiree at the date of acquisition were as follows:

	Mio £'000
Intangible assets	64
Property, plant and equipment	19
Inventories	823
Other receivables	826
Cash and cash equivalents	313
Trade and other payables	(1,323)
Total carrying amount	722

10. BUSINESS COMBINATIONS (CONTINUED)

The following fair value adjustments have been made:

	Mio £'000
Intangible assets - brands	882
Intangible assets - customer lists	308
Deferred tax	(238)
Total fair value adjustments	952

The provisional fair values of the assets and liabilities and the associated goodwill arising from the acquisitions are as follows:

	Note	Mio £'000
Intangible assets	11	1,254
Property, plant and equipment	12	19
Inventories		823
Other receivables		826
Cash and cash equivalents		313
Trade and other payables		(1,323)
Deferred tax	20	(238)
Net assets acquired		1,674
Goodwill	11	1,978
Purchase consideration		3,652

The goodwill is attributable to the cost synergies and cross-selling opportunities that are expected to be achieved from incorporating the businesses into the Group's IT platform and supporting operations.

Cash flows arising from the acquisitions were as follows:

	Mio £'000
Purchase consideration settled in cash	3,652
Cash and cash equivalents acquired	(313)
Total cash outflow	3,339

From the date of acquisition to 31 December 2015, Mio contributed £1.6m to Group revenues and a loss of £0.1m to the Group's profit before tax.

If the acquisitions had occurred on 1 January 2015, the Group's revenue and profit before tax for the year would have been £337.0m and £15.4m respectively.

During the year, the Group also acquired the assets of Popinabox Limited ("PIAB") and My Geek Box Limited ("MGB") for a combined total of £50k. Goodwill of £42k arose on the acquisition of PIAB and MGB giving total goodwill acquired through business combinations of £2.02m for the year ended 31 December 2015.

11. INTANGIBLE ASSETS

	Note	Goodwill £'000	Platform development costs £'000	Intellectual property £'000	Brands £'000	Total £'000
Cost or valuation						
At 1 January 2014		87,783	16,274	5,600	8,623	118,280
Additions		-	8,208	2,238	-	10,446
Business combinations		5,876	106	267	2,649	8,898
At 31 December 2014		93,659	24,588	8,105	11,272	137,624
At 1 January 2015		93,659	24,588	8,105	11,272	137,624
Additions		-	11,060	2,320	-	13,380
Business combinations	10	2,020	-	372	882	3,274
At 31 December 2015		95,679	35,648	10,797	12,154	154,278
Accumulated amortisation						
At 1 January 2014		270	7,500	1,939	1,181	10,890
Amortisation	3	-	3,444	1,839	287	5,570
At 31 December 2014		270	10,944	3,778	1,468	16,460
At 1 January 2015		270	10,944	3,778	1,468	16,460
Amortisation	3	-	5,331	2,714	337	8,382
At 31 December 2015		270	16,275	6,492	1,805	24,842
Net book amount						
At 1 January 2014		87,513	8,774	3,661	7,442	107,390
At 31 December 2014		93,389	13,644	4,327	9,804	121,164
At 31 December 2015		95,409	19,373	4,305	10,349	129,436

Included within platform development costs additions there is a credit for £0.6m (2014: £0.7m) in respect of qualifying R&D expenditure.

11. INTANGIBLE ASSETS (CONTINUED)

The Group's intangible assets include acquired brands and intellectual property, some of which are deemed to have indefinite lives as there are no foreseeable limits to the periods over which they are expected to generate cash inflows. The assessment of an indefinite life takes into account the market position and the Group's commitment to maintaining the brand.

Goodwill, brands and intellectual property that have indefinite useful lives are subject to annual impairment testing, or more frequent testing if there are indications of impairment. Intangible assets and goodwill are allocated to the appropriate cash-generating units ("CGUs") based on the smallest identifiable group of assets that generates cash inflows independently in relation to the specific intangible asset.

The recoverable amounts of the CGUs are determined from value-in-use calculations that use amounts from approved budgets, and projections over an initial period of 3-5 years (2014: 3-5 years) and pre-tax cash flows projected forward assuming a perpetual growth rate of 2% (2014: 2%). The discount rate applied to the cash flow projections was 8.2% on a pre-tax basis (2014: 11.4%). The average per-annum growth rate applied to the initial period ranged from 2% to 25% dependent on the maturity of the CGU (2014: 5% to 30%) and is based on recent actual and expected performance of the Group. The net book value of goodwill, brands and intellectual property with indefinite lives allocated to CGUs for the purposes of impairment testing is as follows:

	Note	2015 Goodwill £'000	2015 Brands £'000	2014 Goodwill £'000	2014 Brands £'000
MyProtein		50,464	5,527	50,464	5,527
LookFantastic		19,860	-	19,860	-
Mankind		2,456	-	2,456	-
HQHair		319	-	319	-
Iwantoneofthose		1,965	-	1,965	-
The Hut		2,568	-	2,568	-
ProBikeKit		8,475	-	8,475	-
Exante		1,406	-	1,406	-
Preloved		4,267	-	4,267	-
ANI		1,609	-	1,609	-
Mio	10	1,978	-	-	-
PIAB/MGB	10	42	-	-	-
		95,409	5,527	93,389	5,527

A sensitivity analysis has been performed around the base assumptions, being operating profit and sales growth, with the conclusion that no reasonable possible changes in key assumptions would cause the recoverable amount of the goodwill, brands and intellectual property with indefinite lives to be less than the carrying value. A 10% reduction in the discounted cashflows would not result in an impairment being required.

12. PROPERTY, PLANT AND EQUIPMENT

	Motor vehicles £'000	Plant and machinery £'000	Fixtures and fittings £'000	Computer equipment and software £'000	Freehold buildings £'000	Total £'000
Cost						
At 1 January 2014	202	2,563	952	3,108	2,308	9,133
Additions	184	2,894	736	1,012	-	4,826
Business combinations	29	3	-	-	-	32
Disposals	(29)	(3)	-	(60)	(20)	(112)
At 31 December 2014	386	5,457	1,688	4,060	2,288	13,879
At 1 January 2015	386	5,457	1,688	4,060	2,288	13,879
Additions	103	20,413	2,027	1,032	1,218	24,793
Business combinations (note 10)	-	19	-	-	-	19
Disposals	(152)	(141)	(5)	-	-	(298)
At 31 December 2015	337	25,748	3,710	5,092	3,506	38,393
Accumulated depreciation						
At 1 January 2014	99	1,004	401	2,000	193	3,697
Depreciation (note 3)	117	887	227	731	75	2,037
Disposals	(6)	(1)	-	(60)	(8)	(75)
At 31 December 2014	210	1,890	628	2,671	260	5,659
At 1 January 2015	210	1,890	628	2,671	260	5,659
Depreciation (note 3)	127	1,956	426	853	120	3,482
Disposals	(148)	(62)	(4)	-	-	(214)
At 31 December 2015	189	3,784	1,050	3,524	380	8,927
Net book amount						
At 1 January 2014	103	1,559	551	1,108	2,115	5,436
At 31 December 2014	176	3,567	1,060	1,389	2,028	8,220
At 31 December 2015	148	21,964	2,660	1,568	3,126	29,466

The group had committed capital expenditure of £23.2m as at 31 December 2015.

Included within property, plant and equipment are assets held under finance lease as follows:

	Motor vehicles £'000	Plant and machinery £'000	Computer equipment and software £'000	Total £'000
At 31 December 2014				
Cost	386	894	1,491	2,771
Accumulated depreciation	(210)	(772)	(634)	(1,616)
Net book value	176	122	857	1,155
At 31 December 2015				
Cost	339	3,617	592	4,548
Accumulated depreciation	(90)	(1,447)	(592)	2,129
Net book value	249	2,170	-	2,419

13. INVENTORIES

	2015 £'000	2014 £'000
Goods held for resale	34,887	27,451

The cost of inventories recognised as an expense and included in cost of sales amounted to £207.2m (2014: £158.1m).

14. FINANCIAL ASSETS AND LIABILITIES

	Note	2015 £'000	2014 £'000
Assets as per balance sheet - loans and receivables			
Trade and other receivables excluding prepayments	15	2,882	1,907
Cash and cash equivalents	16	141,535	54,587
		144,417	56,494
Liabilities as per balance sheet - other financial liabilities at amortised cost			
Bank borrowings	18	180,070	59,431
Finance leases	18	2,188	1,209
Trade and other payables excluding non-financial liabilities	17	98,539	86,791
		280,797	147,431

Financial instruments included within current assets and liabilities, excluding borrowings, are generally short-term in nature and accordingly their fair values approximate to their book values. The contractual maturity of bank borrowings and finance lease liabilities is provided in note 18.

Trade and other receivables excluding prepayments include an amount of £0.5m in relation to the fair value of foreign currency swaps as at the balance sheet date, that have been measured using observable inputs and are not designated as hedges.

The Group's financial risks are detailed on page 11 of the Strategic Report.

15. TRADE AND OTHER RECEIVABLES

	2015 £'000	2014 £'000
Trade receivables	2,420	1,752
Less provision for impairment	(210)	(59)
	2,210	1,693
Prepayments and accrued income	9,929	6,221
Other receivables	672	214
	12,811	8,128

Trade and other receivables are principally denominated in sterling.

15. TRADE AND OTHER RECEIVABLES (CONTINUED)

At 31 December the ageing of trade receivables was as follows:

	2015 £'000	2014 £'000
Not due	1,408	1,070
0 to 3 months overdue	923	671
3 to 6 months overdue	78	(118)
Over 6 months overdue	11	129
	2,420	1,752

The movement in the provision for impairment of trade receivables was as follows:

	£'000
At 1 January 2015	59
Released	(158)
Business combinations	16
Charge for the year	293
At 31 December 2015	210

16. CASH AND CASH EQUIVALENTS

	2015 £'000	2014 £'000
Cash at bank and on hand	141,535	54,587

17. TRADE AND OTHER PAYABLES

	2015 £'000	2014 £'000
Trade creditors	78,844	56,063
Accruals and deferred income	20,357	18,816
Deferred consideration on acquisitions	-	10,800
Other taxation and social security	259	2,304
Other creditors	206	74
	99,666	88,057

The Directors consider the carrying amount of trade and other payables approximates to their fair value when measured by discounting cash flows at market rates of interest as at the balance sheet date.

18. BORROWINGS

	Note	2015 £'000	2014 £'000
Current			
Bank and other borrowings		6,171	-
Finance leases	21	890	448
		7,061	448
Non-current			
Bank and other borrowings		173,899	59,431
Finance leases	21	1,298	761
		175,197	60,192

Bank borrowings relate predominantly to the amended facility provided by Barclays, HSBC, RBS, Lloyds Bank, AIB and Santander referred to on page 8. The contractual terms of the non-amortising facility covers a 3 year period and allows the Group to draw down and repay throughout the duration of the arrangement. Finance leases relate to loans funding asset purchases payable over three years and are secured by charges over the assets to which they relate. Bank borrowings carried an interest rate of 1.65% (2014: 1.75%) plus Libor. All material companies registered in England and Wales have granted a debenture to Barclays Bank plc (as security agent). Share charges and, where relevant, a charge over bank accounts have been granted in respect of material Guernsey and Jersey registered companies.

If interest rates during the year had been 100 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been £597,000 (2014: £235,000) lower/higher as a result of the higher/lower interest expense which would have been payable.

The contractual maturity of bank borrowings is as follows:

	2015 £'000	2014 £'000
Within one year	6,171	10
Between two and five years	173,899	59,447
Over five years	-	-
	180,070	59,457

The fair value measured by reference to contractual future cash flows discounted at market rates of interest at the balance sheet date approximates to book value.

19. PROVISIONS

	2015 £'000	2014 £'000
Current		
Onerous leases	41	41
Customer loyalty points	374	205
	415	246

19. PROVISIONS (CONTINUED)

The onerous lease provisions relate to vacant warehouses or properties acquired as part of acquisitions. The majority of the provisions have now been utilised or are no longer required.

The loyalty points provision relates to unredeemed points which entitle customers to discounts on future purchases to the extent the Group believe that they will be redeemed.

The movement in the provisions balance is as follows:

	Onerous leases £'000	Customer loyalty points £'000	Total £'000
At 1 January 2015	41	205	246
Utilisation	-	(293)	(293)
Created	-	462	462
At 31 December 2015	41	374	415

20. DEFERRED TAX

The deferred tax balance comprises:

	2015 £'000	2014 £'000
Short term timing differences	639	1,469
Accelerated capital allowances	(105)	(543)
Business combinations	2,326	2,237
Tax losses	-	(11)
	2,860	3,152

The movement on the deferred tax liability during the year is as follows:

	Note	£'000
At 1 January 2015		3,152
Business combinations	10	238
Consolidated statement of comprehensive income	9	(393)
Recognised in equity		(142)
Other		5
At 31 December 2015		2,860

The Group has unrecognised deferred tax assets relating to losses of £0.7m (2014: £1.6m), which have not been recognised due to the unpredictability of when these assets will be realised.

21. LEASES

Operating leases

At 31 December 2015, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Land and buildings 2015 £'000	Other 2015 £'000	Land and buildings 2014 £'000	Other 2014 £'000
Within one year	5,527	17	2,253	67
Between two and five years	17,055	-	3,350	32
After five years	37,430	-	242	-
	60,012	17	5,845	99

Finance leases

The Group uses finance leases to acquire motor vehicles, plant and machinery, computer equipment and software. The minimum lease payments under finance leases fall due as follows:

		Minimum lease payments		Present value of future minimum lease payments	
	Note	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Expiring within one year		939	523	890	448
Expiring between two and five years		1,324	907	1,298	761
		2,263	1,430	2,188	1,209
Less interest payable		(75)	(221)	-	-
Finance lease liability	18	2,188	1,209	2,188	1,209

The fair value when measured by discounting cash flows at market rates of interest as at the balance sheet date approximates to book value.

22. SHARE CAPITAL AND RESERVES

The Company has the following authorised, allotted, issued and fully paid ordinary share capital:

	2015 Number	2014 Number
Class		
A ordinary	553,222	553,222
B ordinary	27,835	27,835
D ordinary	-	3,200
A shares	80,654	84,542
A1 shares	213,419	213,419
A2 shares	633,600	716,894
A3 shares	334,915	412,884
A4 shares	153,904	153,904
A5 shares	116,984	120,372
A6 shares	594,884	594,884
Deferred shares	33,515	33,515
£1 nominal value ordinary shares	2,742,932	2,914,671

A shares, A1 shares, A2 shares, A3 shares, A4 shares, A5 shares, A6 shares, A ordinary shares and B ordinary shares

The holders of A shares, A1 shares, A2 shares, A3 shares, A4 shares, A5 shares, A6 shares, A ordinary shares and B ordinary shares are entitled to receive dividends pro rata according to the number of shares held by them respectively as if they constituted one class of share. The A shares, A1 shares, A2 shares, A3 shares, A4 shares, A5 shares, A6 shares, A ordinary shares and B ordinary shares are non-redeemable. The holders of such shares have, on a show of hands one vote, and, on a poll have one vote for each such share held by them. On a return of capital, the holders of such shares have different rights to receive any surplus assets remaining after the payment of liabilities ("net proceeds").

Deferred shares

The holders of deferred shares have no right to receive a dividend and no voting rights. The deferred shares are non-redeemable. On a return of capital, the holders of deferred shares are entitled to receive the amount paid up or credited as paid up on such shares once the holders of all the other shares have received the sum of £100,000 per share.

22. SHARE CAPITAL AND RESERVES (CONTINUED)

Capital risk management

The Group's objectives when managing capital, which comprises equity, are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

		Ordinary shares	Share premium	Employee benefit scheme reserve	Merger reserve	Capital redemption reserve	Retained earnings	Total Equity
	Note	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2015		2,915	14,294	175	615	285	50,196	68,480
Profit and total comprehensive income for the year		-	-	-	-	-	13,465	13,465
Share buy-back		(172)	(546)	-	-	172	(19,750)	(20,296)
Share-based payments	7	-	-	-	-	-	1,512	1,512
Deferred tax effect of share-based payments	20	-	-	-	-	-	142	142
Balance at 31 December 2015		2,743	13,748	175	615	457	45,565	63,303

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

In April 2015, the Group undertook a share buy-back of 171,739 shares for a net consideration of £19.7m.

On 3 March 2016, the Group completed a share buy-back of 24,477 shares funded from existing cash and banking resources.

23. PENSION COMMITMENTS

During the year, the Group operated an auto enrolment pension scheme. The scheme is managed by independent fund managers and the Group contributes in accordance with the statutory requirements. In addition to the auto enrolment scheme, a subsidiary company operates a defined contribution pension scheme which is also managed by independent fund managers and its assets/liabilities are held separately from that of the Group. The pension charge represents the amount paid by the Group and amounted to £185,000 (2014: £60,000). There were no outstanding contributions due to the fund at the year end.

24. CASH FLOW GENERATED FROM OPERATIONS

	Note	2015 £'000	2014 £'000
Profit before taxation		15,270	6,615
Adjustments for :			
Depreciation	12	3,482	2,037
Amortisation	11	8,382	5,570
Share-based payments	7	1,512	707
Exceptional items	4	(1,144)	5,943
Net finance costs	8	2,539	1,737
Operating cashflow before exceptional items and before movements in working capital and provisions		30,041	22,609
Increase in inventories		(6,605)	(7,107)
Increase in trade and other receivables		(3,857)	(3,069)
Increase in trade and other payables		22,452	25,785
(Increase) / decrease in provisions		170	(49)
Cash generated from operations before exceptional cash flows		42,201	38,169

25. ULTIMATE PARENT COMPANY

The ultimate parent company and controlling party of the Group is The Hut Group Limited.

26. RELATED PARTY TRANSACTIONS

The Directors of the Company who were in office during the year from 1 January 2015 and up to the date of signing the financial statements are:

M J Moulding
J A Gallemore
A Monro
I McDonald
W M Evans
P J Gedman
R J Pennycook
D P Murphy
A J Duckworth (appointed 24 May 2015)

26. RELATED PARTY TRANSACTIONS (CONTINUED)

The Directors' interests in the share capital of the Company at the balance sheet date are detailed below:

	Ordinary shares 2015 Number	Ordinary shares 2014 Number
M J Moulding	476,455	476,455
A Monro	93,992	93,992
I McDonald	30,279	30,279
	600,726	600,726

The Directors had the following interests in shares under incentive arrangements (see note 7 for details of the scheme).

	Date of award	Subscription / exercise price £	2015 Number	2014 Number
M J Moulding	Oct-10	7.50	29,090	29,090
M J Moulding	Nov-13	5.00	87,920	87,920
J A Gallemore	Oct-10	7.50	14,545	14,545
J A Gallemore	Nov-13	5.00	17,584	17,584
A Monro	Nov-13	5.00	35,168	35,168
R Pennycook	Nov-13	5.00	35,168	35,168
P J Gedman	Jan-10	8.25	1,339	1,339
P J Gedman	Oct-10	7.50	1,950	1,950
P J Gedman	Nov-13	5.00	10,550	10,550
A J Duckworth	Nov-13	5.00	7,034	7,034
			240,348	240,348

The Group has provided interest free loans of £0.8m (2014: £0.8m) to Directors in order for them to subscribe for shares as part of the employee benefit scheme. The loans are repayable in the event of a sale or listing of the Group.

The share based payments expense associated with the Directors was £1.1m (2014: £0.7m).

27. POST BALANCE SHEET EVENTS

For further details on events after the balance sheet date see Director's Report on page 16.

28. SUBSIDIARY UNDERTAKINGS

At the balance sheet date the following subsidiaries were controlled by the Group:

Subsidiary	Country of incorporation	Nature of business
The Hut.com Limited**	England and Wales	Online retailing
The Hut Platform Limited**	England and Wales	Provision of website development services
The Hut Holdings Limited**	England and Wales	Dormant
The Hut.com (Trading) Limited**	Jersey	Online retailing
Cend Limited**	England and Wales	Online retailing
Guco Internet Supplies Limited**	Guernsey	Holding company
Iwantoneofthose Limited**	Guernsey	Dormant
The Hut Entertainment SL**	Spain	Dormant
Zone Limited**	Guernsey	Holding company
Allenby Square**	England and Wales	Property holding company
Ensco 818 Limited**	England and Wales	Holding company
Mankind Holdings Limited**	Guernsey	Holding company
Mankind Direct Limited**	England and Wales	Procurement company
Moo Limited**	England and Wales	Online advertising
Active Nutrition International OY**	Finland	Online retailing
Lookfantastic Group Limited**	England and Wales	Holding company
Lookfantastic.com Limited**	England and Wales	Online retailing
Lookfantastic Franchising Limited**	England and Wales	Franchising and consultancy services
Lookfantastic London Limited**	England and Wales	Dormant
Lookfantastic Salons Limited**	England and Wales	Hairdressing salon
The Hut IHC Limited*	England and Wales	Holding company
The Hut Management Company Limited***	England and Wales	Activities of Head Office
Exante Diet Limited**	England and Wales	Dormant
Bike Kit Limited**	England and Wales	Dormant
CNP Professional Holdings Limited**	Guernsey	Procurement company
MyVitamins Limited**	England and Wales	Dormant
HQ Hair Limited**	Guernsey	Holding company
Cend International Limited**	England and Wales	Online retailing
THGPP LLC**	USA	Dormant
Cend LLC**	USA	Dormant
Mama Mio Limited**	England and Wales	Online retailing
Mama Mio Distribution Limited**	England and Wales	Dormant
Mama Mio US Inc.**	USA	Online retailing

* 90% owned by The Hut Group Limited and 10% by The Hut Management Company Limited

** 100% owned by The Hut IHC Limited either directly or indirectly.

*** 0.01% owned by the Hut Group Limited, however The Hut Group Limited has a separate class of share in Manco which gives it the right to control the appointment of Board Directors.

06

PARENT COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2015

	Note	2015 £'000	2014 £'000
Fixed assets			
Investments	4	87,361	86,689
		87,361	86,689
Current assets			
Debtors	5	33,737	52,841
Cash		111,947	3
		145,684	52,844
Creditors: amounts falling due within one year	6	(11,266)	(13,720)
Net current assets		134,418	39,124
Total assets less current liabilities		221,779	125,813
Creditors: amounts failing due after one year	7	(173,899)	(59,431)
Net assets		47,880	66,382
Capital and reserves			
Called up share capital	8	2,743	2,915
Share premium	8	13,748	14,294
Merger reserve	8	615	615
Capital redemption reserve	8	457	285
Profit and loss account	8	30,317	48,273
Total shareholders' funds		47,880	66,382

The financial statements on pages 55 to 62 were approved by the Board of Directors on 24 March 2016 and were signed on its behalf by:



J A Gallemore
Director
Registered number: 06539496

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2015

	Share capital £'000	Share premium £'000	Merger reserve £'000	Capital redemption reserve £'000	Retained earnings (deficit)/ surplus £'000	Total £'000
Balance at 1						
January 2014	3,055	86,640	615	-	(4,306)	86,004
Loss for the year	-	-	-	-	(6,815)	(6,815)
Issue of ordinary shares	145	7,946	-	-	-	8,091
Share buy-back	(285)	(292)	-	285	(21,313)	(21,605)
Capital reduction	-	(80,000)	-	-	80,000	-
Share-based payments	-	-	-	-	701	701
Capital contribution	-	-	-	-	6	6
Balance at						
31 December 2014	2,915	14,294	615	285	48,273	66,382
Balance at 1						
January 2015	2,915	14,294	615	285	48,273	66,382
Profit for the year	-	-	-	-	282	282
Share buy-back	(172)	(546)	-	172	(19,750)	(20,296)
Share-based payments	-	-	-	-	840	840
Capital contribution	-	-	-	-	672	672
Balance at						
31 December 2015	2,743	13,748	615	457	30,317	47,880

07

NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

1. ACCOUNTING POLICIES

The principle accounting policies have been applied in accordance with 'Financial Reporting Standard 101 Reduced Disclosure Framework' (FRS 101), and are detailed below. The policies have been applied consistently throughout both the year and the preceding year.

a. Basis of preparation

The Company has transitioned from the previously extant UK GAAP to FRS 101 for all periods presented. There have been no material adjustments as a result of the aforementioned transition, and as such, no reconciliation has been provided. As permitted by section 408 of the Companies Act 2006, an entity profit and loss account is not included as part of the published consolidated financial statements of The Hut Group Limited. The profit for the financial year in the financial statements of the Company is £0.3m (2014: loss of £6.8m).

In accordance with FRS101 Reduced Disclosure Framework, the company has taken advantage of the disclosure exemptions relating to the preparation of a cash flow statement and disclosure of related party transactions. The consolidated financial statements of The Hut Group Limited have been prepared in accordance with International Financial Reporting Standards.

b. Taxation and deferred taxation

Current tax including UK corporation tax is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Temporary differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

c. Borrowing costs

Borrowing costs are not capitalised; they are recognised in profit or loss in the period in which they are incurred.

d. Financial instruments

Financial assets and financial liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

e. Borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis through the profit and loss account using the effective interest method and are added to the carrying amount of the instrument to the extent they are not settled in the period in which they arise. The Company has not entered into any transactions involving derivative instruments.

1. ACCOUNTING POLICIES (CONTINUED)

f. Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

g. Investments in subsidiaries

Investments in subsidiaries are held at cost, less any provision for impairment. Where equity settled share-based payments are granted to the employees of subsidiary companies, the fair value of the award is treated as a capital contribution by the Company and the investment in subsidiaries are adjusted to reflect this capital contribution.

h. Share-based payments

The Company operates a share-based compensation plan, under which the Company and the Group subsidiary entities receive services from employees as consideration for equity instruments (options) of the Company. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted.

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

i. Significant estimates and judgements

Share-based payments

Critical estimates and assumptions are made in particular with regard to the calculation of the fair value of employee share options using appropriate valuation models. In addition estimation is required in assessing the number of options expected to vest and the vesting periods of the awards.

2. EMPLOYEE COSTS AND NUMBERS

	2015 £'000	2014 £'000
Wages and salaries	384	258
Social security costs	51	46
Share based payments	658	531
	1,093	835

The average number of employees during the year was 2 (2014: 2)

3. AUDITOR RENUMERATION

Amounts paid to the Company's auditors are disclosed in note 5 of the Group consolidated financial statements.

4. FIXED ASSET INVESTMENTS

Fixed asset investments comprise investments in subsidiary undertakings.

	Note	2015 £'000	2014 £'000
At 1 January		86,689	86,683
Capital contribution	8	672	6
At 31 December		87,361	86,689

There were no additions during the current year.

5. DEBTORS

	2015 £'000	2014 £'000
Amount owed by group undertakings	32,243	51,735
Other debtors	-	2
Corporation tax asset	154	154
Other taxation and social security	66	81
Prepayments and accrued income	1,274	869
	33,737	52,841

Amounts owed by group undertakings are unsecured, non-interest bearing and repayable on demand.

6. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2015 £'000	2014 £'000
Trade creditors	4,640	1,060
Bank borrowings	6,171	-
Amounts owed to group and undertakings	175	84
Deferred consideration on acquisitions	-	10,800
Accruals and deferred income	280	1,776
	11,266	13,720

Amounts owed to group undertakings are unsecured, non-interest bearing and repayable on demand.

7. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	2015 £'000	2014 £'000
Bank borrowings	173,899	59,431

Refer to note 18 of the Group financial statements for details of the bank borrowings. Bank borrowings carried an interest rate of 1.65% (2014: 1.75%) plus Libor. If interest rates during the year had been 100 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been £597,000 (2014: loss of £235,000) lower/higher as a result of the higher/lower interest expense which would have been payable.

The prior year balance related to the term loan which was replaced by the new revolving credit facility as described on page 8.

8. SHARE CAPITAL AND RESERVES

The Company has the following authorised, allotted, issued and fully paid ordinary share capital:

	2015 Number	2014 Number
Class		
A ordinary	553,222	553,222
B ordinary	27,835	27,835
D ordinary	-	3,200
A shares	80,654	84,542
A1 shares	213,419	213,419
A2 shares	633,600	716,894
A3 shares	334,915	412,884
A4 shares	153,904	153,904
A5 shares	116,984	120,372
A6 shares	594,884	594,884
Deferred shares	33,515	33,515
£1 nominal value ordinary shares	2,742,932	2,914,671

A shares, A1 shares, A2 shares, A3 shares, A4 shares, A5 shares, A6 shares, A ordinary shares and B ordinary shares

The holders of A shares, A1 shares, A2 shares, A3 shares, A4 shares, A5 shares, A6 shares, A ordinary shares and B ordinary shares are entitled to receive dividends pro rata according to the number of shares held by them respectively as if they constituted one class of share. The A shares, A1 shares, A2 shares, A3 shares, A4 shares, A5 shares, A6 shares, A ordinary shares and B ordinary shares are non-redeemable. The holders of such shares have, on a show of hands one vote, and, on a poll have one vote for each such share held by them. On a return of capital, the holders of such shares have different rights to receive any surplus assets remaining after the payment of liabilities ("net proceeds").

8. SHARE CAPITAL AND RESERVES (CONTINUED)

D ordinary shares

The holders of D ordinary shares have no right to receive a dividend and no voting rights. The D ordinary shares are non-redeemable. On a return of capital, the holders of D ordinary shares have certain rights in respect of the net proceeds.

Deferred shares

The holders of deferred shares have no right to receive a dividend and no voting rights. The deferred shares are non-redeemable. On a return of capital, the holders of deferred shares are entitled to receive the amount paid up or credit as paid up on such shares once the holders of all the other shares have received the sum of £100,000 per share

	Note	Share capital £'000	Share premium £'000	Merger reserve £'000	Capital redemption reserve £'000	Retained earnings (deficit) /surplus £'000	Total £'000
Balance at 1 January 2014		3,055	86,640	615	-	(4,306)	86,004
Loss for the year		-	-	-	-	(6,815)	(6,815)
Issue of ordinary shares		145	7,946	-	-	-	8,091
Share buy-back		(285)	(292)	-	285	(21,313)	(21,605)
Capital reduction		-	(80,000)	-	-	80,000	-
Share-based payments		-	-	-	-	701	701
Capital contribution		-	-	-	-	6	6
Balance at 31 December 2014		2,915	14,294	615	285	48,273	66,382
Balance at 1 January 2015		2,915	14,294	615	285	48,273	66,382
Profit for the year		-	-	-	-	282	282
Share buy-back		(172)	(546)	-	172	(19,750)	(20,296)
Share-based payments		-	-	-	-	840	840
Capital contribution		-	-	-	-	672	672
Balance at 31 December 2015		2,743	13,748	615	457	30,317	47,880

£0.8m (2014: £0.7m) has been charged to the Company profit and loss account in respect of the share-based payments. £0.7m of share-based payments is reflected in the subsidiary financial statements.

Disclosures on the share-based payment schemes can be found in note 7 of the Group financial statements.

Further information in respect of the movement in the share premium account and share buy-back purchase can be found in note 22 of the Group financial statements.

9. POST BALANCE SHEET EVENTS

Disclosure on the post balance sheet events can be found on page 16 of the Group financial statements.

