THG

Annual report & accounts 2019

For the year ended
31 December 2019

The Hut Group Limited. Company Number 06539496

Contents

Strategic Report Company Overview: Introducing THG

Founded in 2004, The Hut Group (THG) is a digital-first, global, consumer brand and technology group, with its pre-eminent Beauty & Wellness brands powered by Ingenuity, the Group's unique and proprietary end-to-end e-commerce technology and operating ecosystem. In addition to powering its own brands, Ingenuity provides a unique end-to-end direct-to-consumer e-commerce solution for consumer brand owners, in addition to standalone digital services (e.g. hosting, studio content, translation, brand creation and new product development).

THG is the digital strategic within the prestige Beauty industry globally, combining its prestige portfolio of 7 owned brands across skincare, haircare and cosmetics with the world's largest online 3rd party speciality retailing platform across brands including Lookfantastic, Skinstore & Glossybox. Similarly, THG's Wellness brand, Myprotein, including its family brands Myvegan, Myvitamins & MP Clothing, are the largest and fastest growth online Wellness brands globally.

Sales

2019	£1,140m
2018	£916m
2017	£736m

EBITDA

2019	£111m
2018	£91m
2017	£69m

Banking Facility

2019	£883m
2018	£795m
2017	£515m

Group Sales by Region

- 34% United Kingdom
- 26% Europe
- 24% Asia Pacific
- 16% North America

Group Sales by Brand

- 50% Own Beauty and Wellbeing
- 31% Non-THG Beauty Brands
- 19% Technology and Other

Group Sales by Division

- 46% Beauty
- 36% Wellbeing
- 17% Technology and Other

BEAUTY	TECHNOLOGY	WELLBEING

BEAUTY

THG BRANDS

ESPA
GROW GORGEOUS
Christophe Robin
AMELIORATE SMOOTH • SKIN • SCIENCE
eyeko LONDON
ILLAMASQUA
mama mio
mio fit skin for life

RESELLERS

lookfantastic
SkinStore
GLOSSYBOX
SkinCareRx part of the lookfantastic group
BEAUTY EXPERT
MANKIND

TECHNOLOGY

Nestlé
Walgreens
CLOROX
CAMPARI GROUP
HONDA
Daily Mail
Disney

WELLBEING

MYPROTEIN
MYVITAMINS
MYVEGAN
MP.com
exante
FIT idealfit
idealraw
idealshape

Business segments

THG's unique fully vertically integrated business model covers the entire customer journey, from Beauty & Wellbeing manufacturing in THG facilities to delivery to the end consumer.

Ingenuity

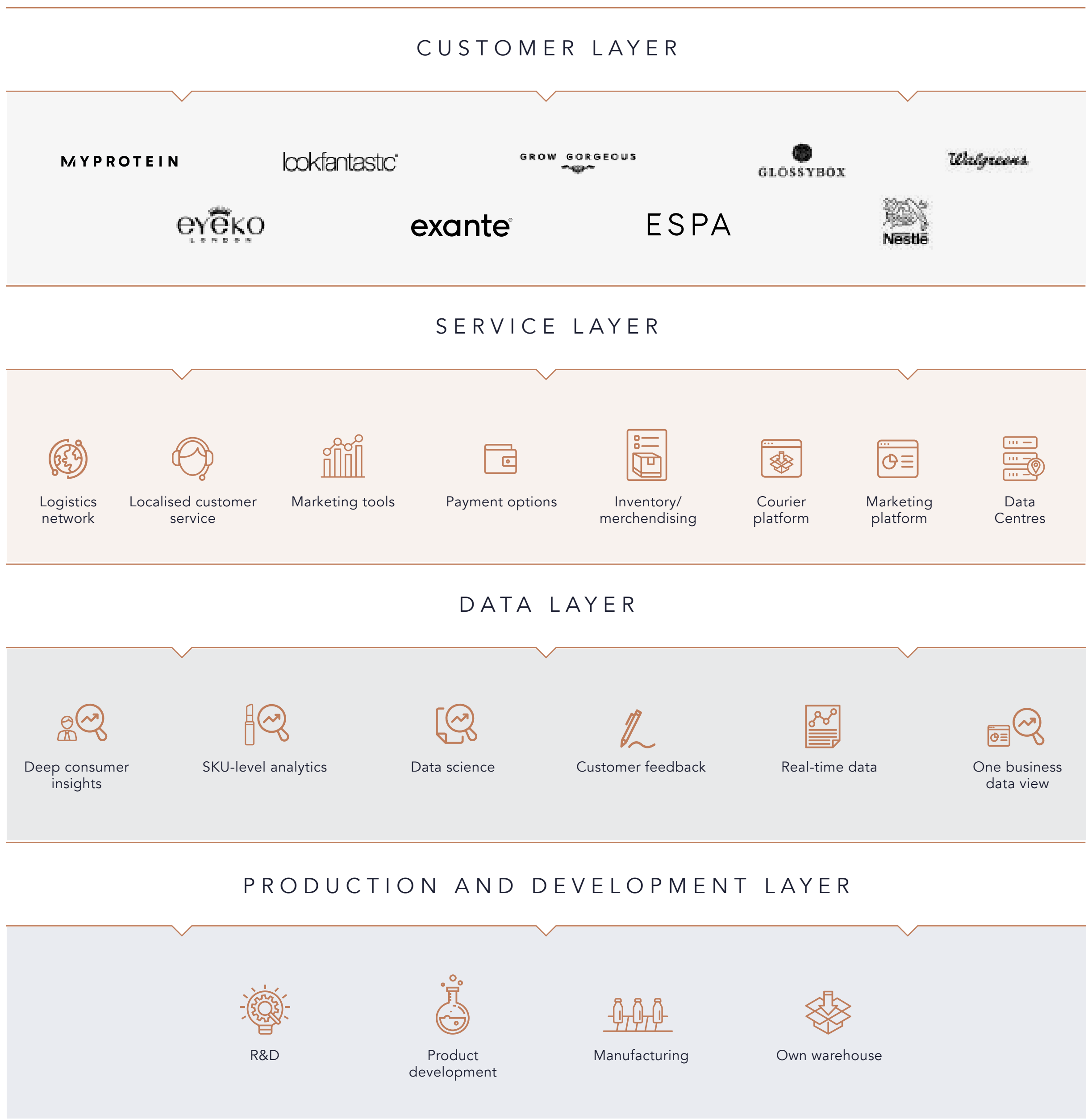
For 15 years THG has been investing in the development of Ingenuity, its wholly in-house developed, proprietary, end-to-end e-commerce technology and operating ecosystem.

This ecosystem spans the entire customer journey, from development and manufacture of wellbeing and beauty products at bespoke in-house manufacturing facilities, through to delivery to a global customer base from THG's warehouse network. No other brand owner or retailer has built a fully vertically integrated technology and operating platform to retail globally both at scale and profitably. Ingenuity is a unique asset, and is central to THG's pre-eminence as a digital brand builder and retailer of both its own and 3rd party brands.

Ingenuity's vertically integrated services include:

- Retailing THG's own brands, plus prestige 3rd party beauty brands and those of THG Ingenuity clients across 200+ THG built and operated websites, all of which are powered by Ingenuity, with fully integrated trading, merchandising, marketing modules, real-time business intelligence data feeds, payments, couriers, fulfilment and customer service, ensuring a frictionless and personalised retailing experience;
- New product development through the combination of data-driven range building and our highly experienced teams of food and beauty technologists across our British Resource Consortium (BRC) AA Grade accredited laboratories and manufacturing facilities, located in the UK, EU and US. These facilities design and manufacture for both our own brands and pre-eminent 3rd party brands;
- End-to-end digital brand building and content creation delivered by THG Studios, our UK & EU based network of 6 studios, with a 7th studio in-build in Manchester, which, at more than 270,000 sq. ft., represents the UK's largest specialist digital studio. In addition to powering our own brands, THG Studios also provides brand creation and digital content services for a wide portfolio of beauty and wellness brands including Estée Lauder, L'Oréal, No.7, Procter & Gamble, Johnson & Johnson and Nestlé plus a diverse range of consumer product and content brands, such as Diageo, Disney, Kingfisher and Walmart;
- The provision of highly technical and specialised translation services to THG's own brands and 3rd parties through THG's Language Connect division, ensuring technical content is accurately and efficiently localised

THG's growth is powered by Ingenuity, our proprietary D2C platform



During 2019, Language Connect translated over 25 million words for THG's own brands, as well as providing specialist translation for UK financial, legal and professional advisory institutions, the National Health Service, pre-eminent wellness and beauty groups (Nestlé, J&J, Deciem, L'Oréal) and a number of other sector leading groups (Kantar, Ipsos, Hilton, ExxonMobil and Thomson Reuters);

- Fully in-house digital marketing services, powered by THG's proprietary eCRM, Marketing and Influencer platforms, with fully integrated data sources through THG's Data & Analytics Platform enabling instant marketing optimisations across territories and brands
- THG's Experience division consists of two luxury boutique hotels and a luxury country club & spa in the UK, which support our trading, marketing, influencer and content creation functions by providing deeply immersive experiential environments for THG's own brands and its 3rd party clients
- Hosting of THG's own brands across 29 owned / controlled data centres in the UK, EU, US and Asia Pacific, in addition to hosting 10,000+ 3rd parties including pre-eminent technology brands

29 Data Centres

610M+ Annual visits to our websites

6M New customers in 2019

155 Integrated courier services

7,000+ Employees

195 shipping destinations

60 Supported languages

1000+ Brands retailed

23M Worldwide customer database

198 Localised websites

50+ Local & global payment methods

- Delivery to a global consumer base through THG's 9 distribution centres (3 million sq. ft.), located in the UK, EU, US and Asia Pacific, integrated with our proprietary warehouse management software, and supporting a same day, next day or 2-day delivery service across every territory globally
- In-house Fraud Detection and Prevention, powered by THG's proprietary Fraud Platform
- Global Customer Service coverage, with integrated translation services, and operated through THG's proprietary Customer Service platform

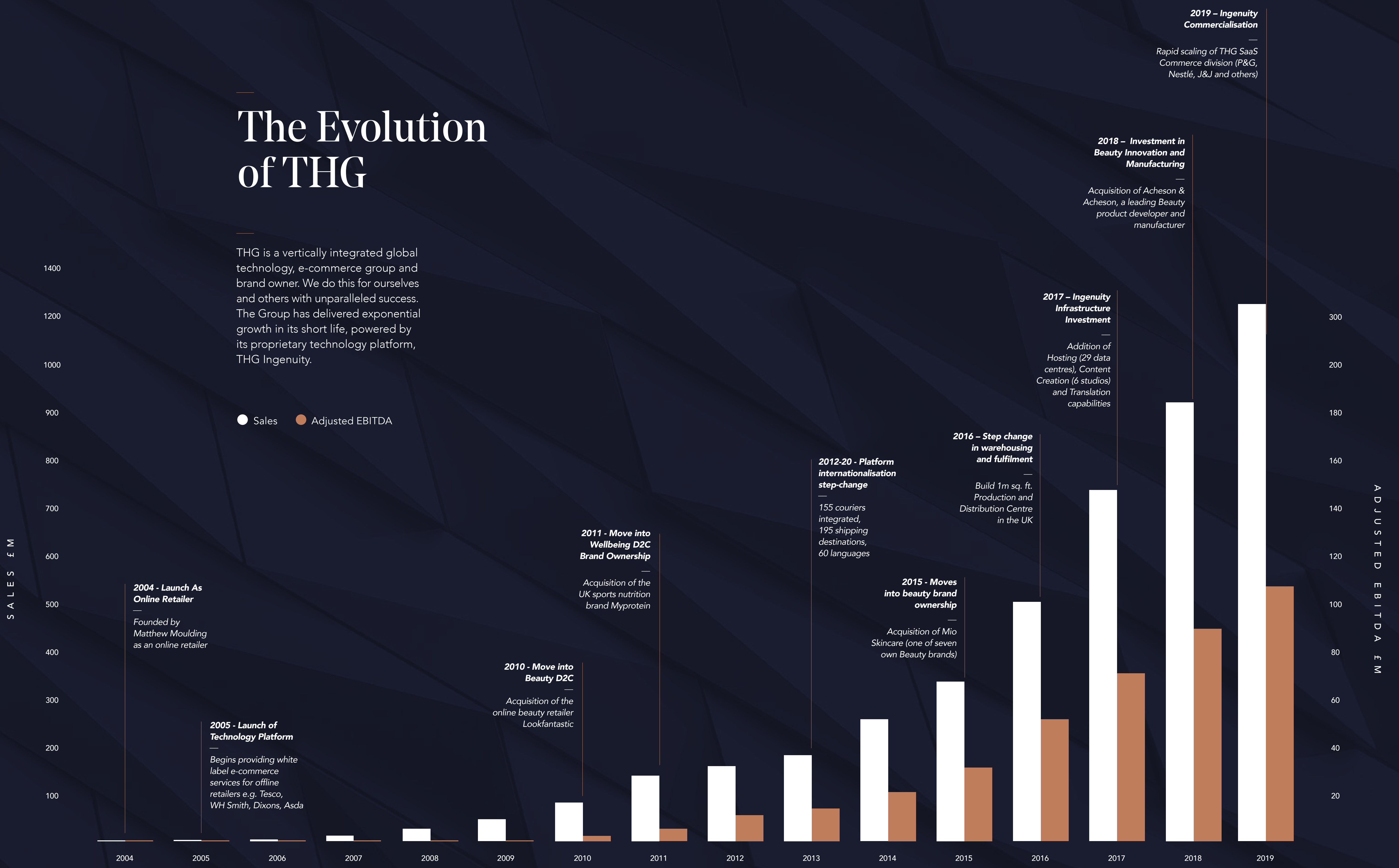
Ingenuity has powered THG's own brands for 15 years, whilst at the same time delivering single service provision to 3rd parties (such as Studio Content). However, over the last 18 months the Ingenuity division has expanded its model to include the aggregation of all its services, thereby providing an end-to-end e-commerce solution globally for 3rd party brand owners on long-term Software as a Service ("SaaS") contracts.

As a fully vertically integrated technology and operating platform built to retail brands globally direct to consumer, THG Ingenuity is a unique and disruptive proposition in the e-commerce solutions market. In the first 3 months of 2020, Ingenuity has secured a pipeline of over £200 million of contracted SaaS revenues.

Ingenuity's typical SaaS contracts are multi-year and range in value up to more than £100 million per contract and clients include: Nestlé, Johnson & Johnson, Procter & Gamble, Walgreens Boots Alliance, Groupe L'Occitane, Nintendo, Mercedes, Honda and Daily Mail. Given the need for digitalisation across all Retail sectors, we continue to see strong demand for our services across all categories and anticipate further upside throughout the remainder of 2020 and beyond.

The Evolution of THG

THG is a vertically integrated global technology, e-commerce group and brand owner. We do this for ourselves and others with unparalleled success. The Group has delivered exponential growth in its short life, powered by its proprietary technology platform, THG Ingenuity.



THG is a proven builder and enabler of digital global brands

Accelerating the growth, global reach and digital presence of brands is integral to our model, as is evidenced by the growth of our own brands.

How we do it

- Digital first approach to brand building and marketing, facilitated by Ingenuity's unique one-business data view, with all component parts delivered inhouse by THG
- End-to-end e-commerce solution, with internally developed e-commerce, trading & marketing software, warehouse management system, customer relationship management (CRM), marketing automation, influencer platform, courier networks and payment options
- Rapid international growth delivered through local language content and localised products, payments, marketing, couriers, fulfilment, hosting and customer services. Accelerating the growth, global reach and digital presence of brands is integral to our model, as is evidenced by the growth of our own brands. THG is a proven builder and enabler of digital global brands
- A digital brand builder, with a fully integrated end-to-end creative agency, including in-house brand strategy, production, studios & luxury event spaces ("THG Experience")
- In-house product development and manufacturing, delivering innovative new products on a monthly basis, for THG own brands and 3rd parties, driven by demand insights from THG's global customer base (610m+ visits per annum to the platform)

BRAND EXAMPLE

MYPROTEIN	lookfantastic	GROW GORGEOUS	GLOSSYBOX
Now the world's #1 online Sports Nutrition brand globally	Now the world's #1 online pureplay Prestige Beauty retailer	Scaled and expanded into a digital first haircare brand with 30%+ EBITDA margin	#1 beauty subscription provider in Europe, with profitability improved from breakeven at acquisition to 15%+ EBITDA margin

BRAND PERFORMANCE SINCE ON OUR PLATFORM

	MYPROTEIN	lookfantastic	GROW GORGEOUS	GLOSSYBOX
	Sales Growth	Sales Growth	Sales Growth	Sales Growth(5)
	19.2x	14.7x	2.8x	1.5x
	+45% CAGR (Since 2011)	+40% CAGR (Since 2011)(3)	+29% CAGR (Since 2015)	+14% CAGR (Since 2016)
	Number of SKU's	Number of Brands	Online D2C %	# of Subscribers(5)
Now	2,300 (Now(2))	850	80%	367,000
Then	150 (Then(1))	265	9%	22,000
	Intl. Sales	Brand Mix(4)	SKU's	EBITDA(5)
Now	80%		22	£11.6m
Then	10%		1	£0.9m

Brand Mix legend: Tools, Haircare, Cosmetics, Skincare

Note: (1) Since acquisition year. (2) 2019. (3) Total sales across all THG Beauty websites, excluding THG own brand website sales (e.g. espaskincare.com) and excluding Glossybox. (4) % of Brand Revenue by Category. (5) Includes organic growth of Lookfantastic Beauty Box. Subscriber numbers are THG's pre-acquisition.

Highlights & Progress in 2019

2019 has been another year of exceptional delivery of the THG strategy, with outstanding organic growth complemented by:

- our own-brand portfolio continuous improvement programme, most recently within Myprotein;
- continued expansion of our global Beauty Retail platform, which is the #1 online prestige Beauty retailer globally, and which represents a critical route to market for over 850 brands across all the beauty strategics and independents;
- a landmark year for our Ingenuity division, with revenue from SaaS Commerce clients growing +213%;
- significant capital investment across Ingenuity and our consumer brands;
- deepening our access to long term institutional capital markets with an oversubscribed inaugural €1bn public debt & RCF issuance; and
- selective acquisitions.

Across our direct-to-consumer brands we have continued to elevate the group's key metrics, while strengthening our online leadership positions in our core Beauty and Wellbeing markets:

Lookfantastic KPIs

#1
Online pure play retailer Prestige Beauty

40%
Sales CAGR (2011-19)

£51
AOV (2019)

37%
Revenue from free marketing chanels (2019)

81%
Revenue from returning customers (2019)

Myprotein KPIs

#1
Online Sports Nutrition brand

45%
Sales CAGR (2011-19)

£46
AOV (2019)

54%
Revenue from free marketing chanels (2019)

84%
Revenue from returning customers (2019)

Ingenuity KPIs

£220m
Q1 2020 new contracts secured

+6000
Annual code releases

610m+
Annual website visits

80m+
Units dispatched annually

25m+
Words translated for THG sites

Organic Growth

We have continued to digitally optimise our brands in the Beauty and Wellness divisions, with sales increasing by 24% year on year to approximately $1.5bn / £1.14bn (2018: £0.92bn). Those sales are well diversified, with 66% international participation across 169 countries and over 50% of sales arising from THG branded products. Sales growth was strong across all regions, with particularly impressive progress continuing to be made in the Asia region, which grew at +35% YoY and which now accounts for 24% of Group revenue.

Whilst sales growth has been strong, we have continued to expand profitably with Group EBITDA margin maintained at c.10% (£111m EBITDA in FY19). This is 22% higher than 2018 and the 3-year CAGR for profit growth is 31%, continuing the exceptional track record of profitable growth that the Group has established.

Our Beauty and Wellness divisions continued to strengthen their market-leading positions in 2019. Overall sales in our Beauty division grew +34% year on year. Lookfantastic experienced strong growth across all regions, with sales in the UK growing +52% year on year, as THG continued to gain market share from both online competitors and traditional retailers. Growth in emerging territories was also impressive, driven by further localisation in 2019, with Lookfantastic's sales in Korea +84%, Singapore +73%, Japan +168% and Thailand +282% in 2019.

Myprotein's performance was similarly impressive, particularly in the second half of the year, where sales grew +26% year on year and EBITDA grew +41% year on year. This followed a comprehensive rebrand and repositioning of the brand in 2018 and 2019, which involved evolving the brand from its previous single brand positioning (Myprotein, the online leader in sports nutrition globally) into a family of brands targeting adjacent market segments in the wider wellbeing industry (Vitamins, Vegan, Performance Clothing). In 2019, Myvegan sales grew +51% year on year and Myvitamins.com sales grew +81% year on year as we continued our expansion in these fast-growing adjacent categories. The standout territory was the Asia region, in particular Japan, where sales have grown at +312% CAGR since 2016. Japan is set to become Myprotein's single largest territory in 2020.

The Ingenuity e-commerce division delivered a landmark year of progress, as THG continues to penetrate the pre-eminent global brand owners with its unique end-to-end e-commerce solution, with revenue growing +213% year on year. This progress has continued into 2020, with in excess of £200m of long-term contracted technology revenues secured in the first quarter of 2020.

Example progression of a recent new Ingenuity client

2020 Forecast Revenue
£11m

2018 Launch Revenue
£0.3m

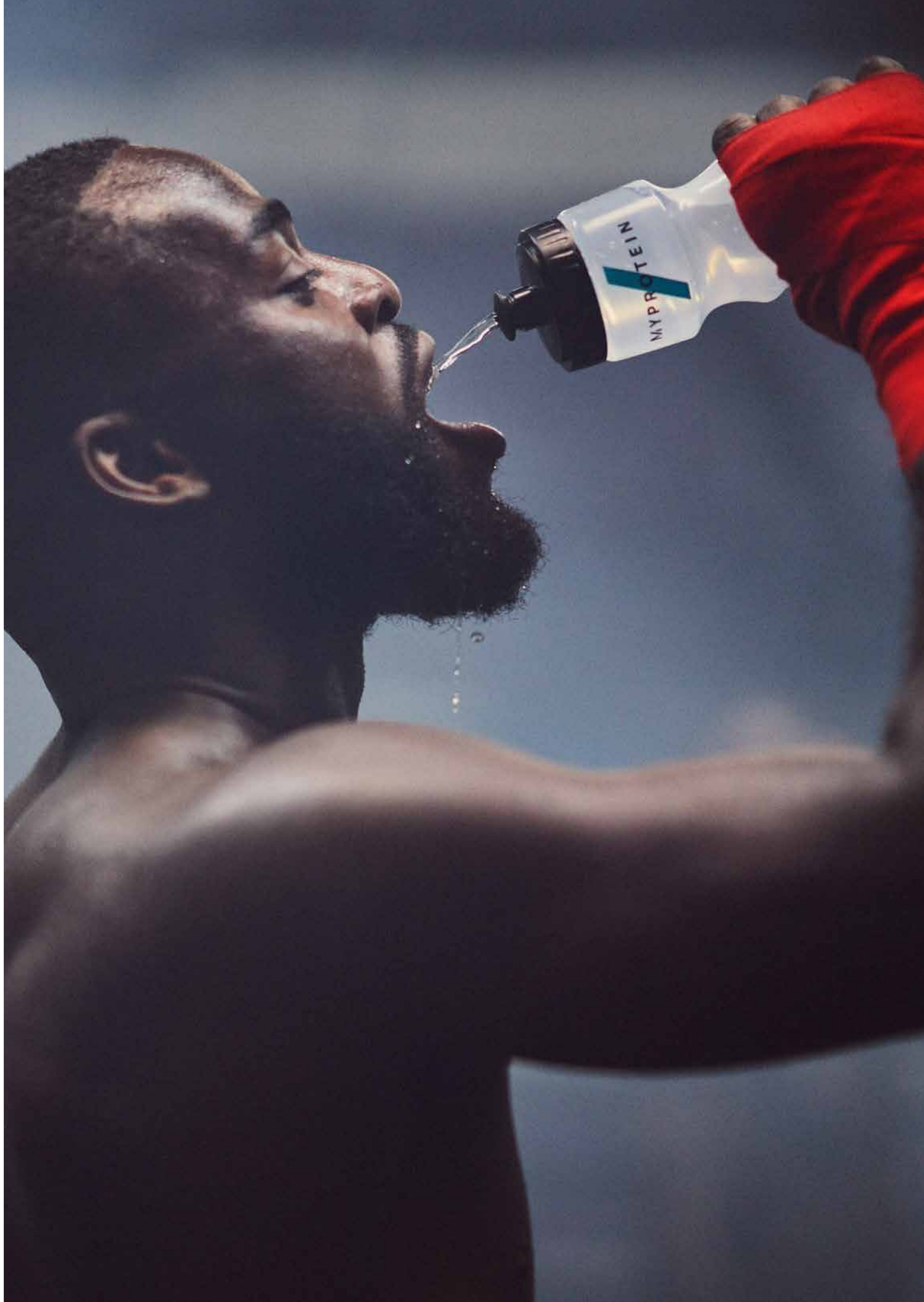
	2018 A	2020 F
Brands	1	7
Territories	1	24

Continuous Brand Development

THG has a long track record of brand development, rebranding and expansion. Myprotein and Exante demonstrate the Group's commitment to brand progression to drive scalable, profitable and enduring market positions.

Myprotein rebrand

- During 2018 and into 2019, Myprotein undertook a comprehensive rebrand and repositioning to broaden the appeal of the brand to a wider customer demographic and reposition the brand for the next stage of global expansion. As a result of the rebrand, sales to last 12 months (LTM) to March 2020 were +22% year on year
- This involved the creation of new sub-brands (Myvitamins, Myvegan, MyPro, MP Clothing), with the goal of replicating the successes seen in the core sports nutrition market across these adjacent, fast-growing markets. In 2019, Myvegan sales grew 51% year on year and Myvitamins.com sales grew 81% year on year
- Myprotein has fully in-house New Product Development, delivering innovative new products on a monthly basis across all sub-brands, driven by demand insights from Myprotein's global customer base
- THG has taken a localised approach to brand building as Myprotein continues to take market share in all regions. Examples include a range of specially developed products to suit Asian taste palates and reformulation to appeal to US nutritional demands, which are supported by a fully localised marketing strategy. As a result of these initiatives, international sales now account for 80% of Myprotein revenue



Exante Diet rebrand

- The Exante Diet rebrand across 2017 and 2018 resulted in the brand delivering +42% sales CAGR and +63% EBITDA CAGR FY17-19
- THG undertook a full rebrand of all products and packaging, with each now reflecting its own distinct personality and flavouring profile
- Full realignment of marketing strategy, with a decision made to lead with Product Quality & Success Stories, after customer and data insights indicating that this was the highest impact content
- New Product Development through a new Vegan range and two and four week boxes (acting as a "One Stop Shop" solution to Diet plans)
- Increased use of selected strategic "high impact" campaigns to drive brand awareness
- Increased targeting of digital campaigns, with the brand's online communities (including its closed Facebook group) proving a powerful feedback tool
- As a result of the rebrand, Exante now leads the market in terms of number of products, micronutrient & macronutrient profiles and 'clean' ingredient credentials, all of which is supported by in-house new product development and manufacturing

Myprotein – Localised Asia Influencer Campaigns

Influencer events

A key success factor of our Asia strategy has been to leverage our relationships with local influencers. The evolution of this model has seen us begin to host regular events for Asian ambassadors and influencers locally within market and at head office with four key objectives:

- **Content creation:** for both our channels and theirs
- **Education:** on the brand and our products. We also take the opportunity to get their input into upcoming NPD pipeline
- **Relationship Building:** to help drive increased engagement and build loyalty
- **Return on investment (ROI):** All events so far have seen a significant ROI as a result of all of the above

1

Experience, Video-First Approach

2

Mid-tier focused activations

3

Creative & Engaging Contents

4

Community & Brand Love

LA Event (Influencer-focused)

- Experience-first contents creation
- Train like US Navy, Gold's Gym, Muscle Beach
- Celebration of 11/11 & NPD range launch

SEOUL Pop-up Store (Customer facing)

- 60+ Influencers along with fans
- Lifestlye x Products tie-in

Quality Assurance Campaign (Influencer-focused)

- Manufacturing Process showcase
- Influencer involvement in New Product Development

Significant Capital Investment for Ingenuity & the Group's brands

During 2019 we invested over £160 million across capital projects, with the following highlights:

- Over £120m of capital on infrastructure projects including acquiring the freehold for our 800,000 sq. ft. Polish fulfilment centre; making substantial progress on the development of our new world leading content studio (ICON); as well as other capital investment including manufacturing, supply chain and office accommodation
- £37 million spent on Ingenuity enhancements, funding over 850,000 developer hours and an average of 100 code releases per week. Development highlights include:
    - 4 new distribution centres, with three further international distribution centres to launch in H1 2020
    - Over 140 courier services and 50 payment providers integrated into the platform by the end of 2019
    - 25 million words translated for THG brands, ensuring rapid deployment of global marketing campaigns with highly localised content
- The rollout of our bespoke in-house Warehouse Management System (WMS) system, "Voyager", to Group fulfilment sites in Kentucky, Melbourne and Poland
- Development of new owned Data Centres in Dallas and Los Angeles, USA, as well as further investment in our Frankfurt, Germany facility
- Internationalisation of our proprietary influencer platform, which now accounts for 11% of online sales vs 1% in January 2018
- Continued investment in our Best-in-Class in-house production across our Beauty (BRC Grade A) and Nutrition (BRC Grade AA) facilities, with c.80m products manufactured annually

€1 billion capital issuance

In December 2019 THG closed a €1bn capital raising, delivering a step-change to its balance sheet ahead of anticipated macro-economic and political changes arising from the UK general election and Brexit.

The total capital raising comprised:

- Significantly oversubscribed €600m Term Loan B (TLB) debt issuance which received €150m of excess demand in only three weeks of marketing
- A new five-year £150m revolving credit facility provided by Citi, Barclays, HSBC, Santander, NatWest and JP Morgan
- A new £197m secured debt & development facilities provided by Citi and CBRE Investment Advisory to THG's newly created, wholly owned subsidiary Propco holding company. The Propco comprises THG's property assets totalling 1.5m sq. ft. of freehold offices, distribution and manufacturing centres and the "THG Experience" division properties (King Street Townhouse, Great John Street Hotel and Hale Country Club). This will also facilitate development of THG's 1m sq. ft. HQ office campus
- £66m of primary equity raised from global investment manager, BlackRock, and Belgium-based investment company, Sofina

Selective Acquisitions

To accelerate the development of the THG business model, we carefully selected acquisitions in key vertical markets, investing over £80m in strategic acquisitions in the year.

In April 2019, we expanded our portfolio of THG Beauty brands, with the acquisition of Christophe Robin, a luxury natural haircare brand. The brands sit within an established and fast-growing segment of the beauty industry and have seen sales increase by over 40% for each of the last two years. With more than 70 products across 10 product ranges, Christophe Robin is retailed internationally, through distinguished retailers such as Sephora and Space NK, as well as being available direct to customers online through www.christophe-robin.com and THG-owned www.lookfantastic.com. THG now boasts 7 prestige Beauty brands in its portfolio and, with the 2018 acquisition of Acheson & Acheson, a pre-eminent British beauty product developer and contract manufacturer. The acquisition of Acheson & Acheson allowed us to bring the product development and manufacturing of our own brands in-house. Acheson & Acheson manufactures a number of category leading beauty brands, with this Best-in-Class expertise now being leveraged across THG's beauty brands, while also delivering greater margin retention and control of production.

With social content creators and influencers having an ever-increasing impact on consumer product choices, THG is focused on becoming a global leader in connecting creators with brands. We have invested heavily in our Experience division, acquiring the Eclectic Hotels Group, comprising two luxury boutique hotels, in May 2019 for almost £40m. These sites provide bespoke luxury event space in a fully customisable environment, allowing brands to showcase their products and engage with influencers to produce highly engaging content, with up to five brand events at each location daily. This investment has been accompanied by further development of our influencer model in 2019, which via our proprietary influencer platform now accounts for 11% of online sales vs 1% in January 2018.

The past 18 months have seen significant investment in THG's international fulfilment centre network, with this investment enabling THG to reach all customers across major territories with express delivery services, and positioning the Group for its next stage of international growth.

Employees

By the end of the year, THG employed over 7,000 people, more than double the number employed at the end of 2016. World class talent supports the unparalleled growth that THG has achieved and, to this end, we are progressing with our new landmark business campus – THQ – which at 1 million sq. ft. in total represents the UK's largest owner-occupied office development. We made substantial progress building our ICON facility (a £135m THG investment) which will launch in early 2021 and which will become THG's bespoke digital content hub, creating cost effective, optimised digital content.

Coronavirus Pandemic

Finally, the Coronavirus pandemic is clearly of major global concern. THG however has a proven business model centred around non-discretionary and recession-proof products and services across Personal Care, Nutrition and Technology. In 2020, the Coronavirus has significantly increased demand for THG products year-on-year whilst the Ingenuity platform provides significant control over our supply chain. Given the strength of the Group, THG was able to announce a £10 million aid package, including millions of units of personal protective equipment (+20 tonnes) to support vulnerable communities, key workers and emergency services in Manchester, the UK and its international markets during the Covid-19 crisis.

Shareholders

Fully diluted shareholding of any party with a 5% or greater shareholding in THG (as at 31 December 2019):

Name	%
Matthew Moulding & Controlled Management Equity[1]	25.7
Kohlberg Kravis Roberts & Co	14.4
Balderton Capital	13.7
BlackRock Funds	9.6
Sofina Capital S.A.	9.1
Merian Funds	7.6
Zedra Trust Company (Jersey) Limited	7.3
Others	12.6
Total	**100.0**

[1] Matthew Moulding has the beneficial interest in 20.5% of the 25.7% shareholding, although he has full control of the whole 25.7%.

The THG Business Model

Founded in 2004 by CEO Matthew Moulding, THG has developed a unique globally scalable e-commerce technology platform, Ingenuity. THG uses this technology to digitalise brands in the Beauty and Wellbeing sectors, operating 200+ websites across 195 territories.

Driven by its proprietary end-to-end technology platform, Ingenuity, THG is the digital strategic across the global Beauty and Wellbeing sectors.

THG has been investing in the development of Ingenuity, its wholly in-house developed, proprietary, end-to-end e-commerce technology and operating ecosystem for over 15 years, with this unique and disruptive platform now being rapidly adopted by other brand owners and retailers to power their own online direct to consumer operations, with THG delivering these services through long-term SaaS technology contracts.

THG's global footprint includes best-in-class hosting, manufacturing, fulfilment centres and content creation studios, all of which are critical to the Group's vertically integrated end-to-end model. By owning the whole customer journey, from product manufacturing to online direct sales to consumers via its proprietary technology platform, and showcasing its brands through its luxury hotel/leisure assets, THG has full control of the customer experience.

Through its presence on 4 continents, 23m global customer database, 155 courier partners, 195 shipping destinations and 60 supported languages, THG is pre-eminent in the global online Beauty and Wellbeing sectors. Today, THG employs over 7,000 people (more than doubled since 2016).

THG continues to invest in its technology platform, business model and global infrastructure to strengthen its position as the global digital strategic across Beauty and Wellbeing.

END-TO-END PROPRIETARY

THG'S VERTICALLY INTEGRATED FRAMEWORK

BEAUTY	TECHNOLOGY	WELLBEING

THG INGENUITY

TECHNOLOGY

- Fully integrated proprietary platform
- 200+ localised websites
- 3m visitors on our sites daily, 6m+ in peak
- Hosting capability with 29 global data centers
- 50+ global payment options
- 40+ currencies traded worldwide
- 5000+ platform updates last year
- Bespoke fraud engine & CMS
- Proprietary customer services engine speaking 27 languages across 5 continents
- 380,000 global subscriptions customers
- Special offers engine with 30+ promos available

OPERATIONS

- 14 warehouses across 4 continents
- Proprietary warehouse management system, Voyager
- 155 integrated courier services
- 195 shipping destinations
- BRC Grade AA manufacturing capabilities
- 80% of Myprotein & 53% of owned beauty brand sales from products manufactured in-house
- Industry leading NPD with 65 strong R&D team of technologists in Beauty and Wellbeing
- Manufacturing for selected 3rd party prestige brands

BRAND

- 300 strong team dedicated to curating digital-first creative content
- 100,000+ assets produced every year
- Network of 6 international content studios
- Launch of ICON, Europe's largest content studio in early 2021. 270,000 sq. ft, £135m THG investment
- Translation and localisation capability across 150 different languages delivered by 6000+ linguists
- 125 million words translated in 2019
- In-house performance marketing capability across all channels
- 4500+ strong influencer network contributing 10% of THG revenue
- Social platforms with combined following of 13m+
- Strong network of 10,000+ affiliates
- Bespoke CRM with 3.5bn emails sent in 2019

DATA

- Real-time proprietary platform monitoring & analytics
- 500+ daily performance reports generated
- Hourly business insights across 10 different reports
- Full integration with all third-party marketing platforms for additional insights
- Leveraging real-time data across 10.5m unique customers who have purchased across our sites in the last 12 months

THG Ingenuity Scaling Brands Globally

THG Ingenuity is a wholly in-house developed, proprietary, end-to-end e-commerce technology and operating ecosystem that acts as the critical enabler of THG's online direct to consumer growth.

THG Ingenuity is a proven enablement platform for frictionless end-to-end digital commerce, while also offering a unique combination of deep brand building capability and end-to-end proprietary technology, giving a one business data view across all core functions, with this model validated by THG's market leading positions in Beauty (#1 pure play online specialty Beauty retail platform) and Wellbeing (#1 online sports nutrition brand globally).

Ingenuity has become the standout solution for major third party brands and international retailers, all of whom require world-class global e-commerce operations, delivered at speed and scale. Since THG began to retail Ingenuity as an aggregated set of services 18 months ago, new SaaS e-commerce customers have included Nestlé, Walgreens Boots Alliance, Procter & Gamble and L'Occitane Group. These new contract wins included a £100m 10-year contract with Nestlé to digitalise their brands globally.

This integrated technology ecosystem is a unique proposition in the e-commerce technology market, providing brand owners with everything they need to retail their brands online direct to consumer, through a single Managed Service SaaS offering. Alternatively, brand owners need to build an e-commerce solution that brings together many fragmented e-commerce components, often serviced across many different third party providers, which typically leads to much higher costs, and greater execution risk in integrating disparate systems and data feeds. By contrast, THG Ingenuity is a proven enablement platform for frictionless end-to-end digital commerce, with all the required components for global digital commerce integrated into a single, proven, digital ecosystem.

In the past 18 months THG has invested significantly in building out its integrated network of 9 international fulfilment centres. THG Ingenuity now ships to 195

destinations, with express delivery services in all territories. With extensive reach into Asia, USA, Europe, India and the Middle East, each bespoke fulfilment centre is specifically designed and managed by Voyager, Ingenuity's proprietary Warehouse Management Software for optimised direct to consumer operations. THG Global Fulfilment forms part of Ingenuity's Operations service pillar and sits alongside our Beauty and Nutrition manufacturing and product development capabilities, providing the platform to fully integrate product development, manufacturing, retailing and fulfilment for THG Ingenuity customers.

Our operational capabilities are underpinned by Ingenuity's Brand & Data Services. This comprises fully integrated Data, Marketing and Influencer Platforms, paired with end-to-end digital brand building and content services, and the knowledge and insights gathered over 15 years of building sustainable and category-leading digital brands. This unique combination of technology and services provides THG with rich global data with which to digitalise THG Ingenuity brands, utilising the same deep digital brand building capabilities and best practices that fostered the rapid growth of its own brands.

The ICON facility (a £135m THG investment), launching early 2021, is set to become THG's bespoke digital content hub, a 270,000 sq. ft. highly immersive, creative space, that further enhances our end-to-end digital brand building and content creation division ("THG Studios"), powering digital brand building and content for all of THG's brands, alongside those of Estée Lauder, L'Oréal, No.7, Campari, Disney, Walmart and others.

It is Ingenuity's full service stack that helps to inform brand owners and retailers of the best approach to scale their businesses globally. Additionally, THG's proven finance, tax and compliance infrastructure makes cross border e-commerce fast and frictionless, with minimal execution risk.

The Strategic Report is represented by pages 4 to 87 of this Annual Report.

THG Ingenuity - The Global Brand Building Platform

Ingenuity is one of a very small number of scaled global technology platforms. In contrast to the likes of Magento and Salesforce, Ingenuity is a fully end-to-end platform, enabling brands to use Ingenuity as a "one stop shop" solution, rather than needing to purchase a licence to the platform in addition to licences from a number of other providers

THG Technology

CORE COMMERCE PLATFORM, BUSINESS INTELLIGENCE & DATA ANALYTICS

Personalisation, Content Management, Widgets, Recommendations, Single Page Checkout, Restore Cart, Monitoring and Insights, Machine Learning Capabilities

INTEGRATED & SCALABLE GLOBAL SOLUTIONS

Multi Language, Global Courier Options, Global Dynamic Delivery Options, International Payment Gateways, Tax/Border Solutions, International Warehousing, Global Customer Services

BESPOKE FRAUD ENGINES

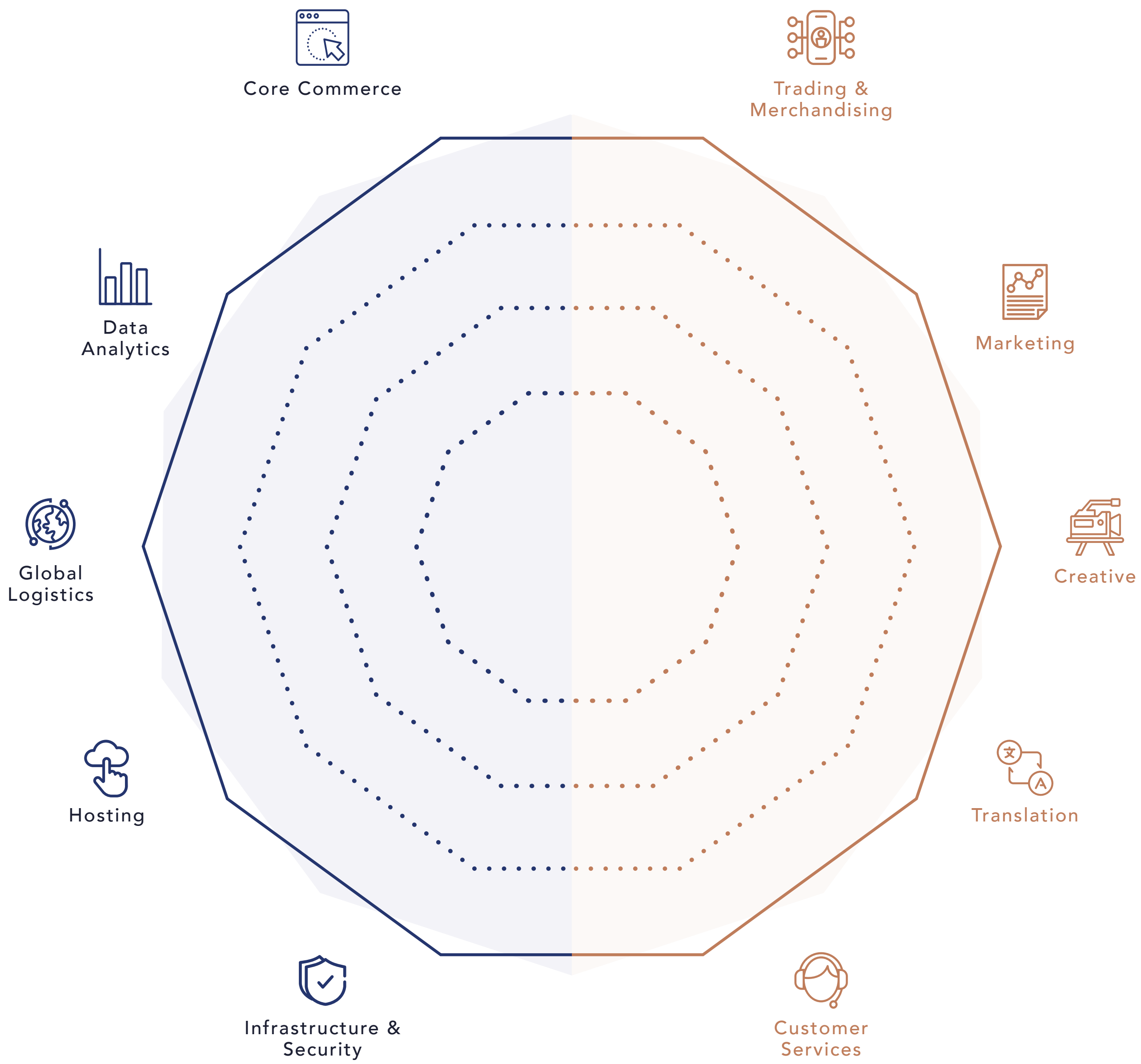
Integrated engine, Global Solution, dedicated team of monitoring experts

LOGISTICS & INTERNATIONAL WAREHOUSING

Order Management, Kitting, Dynamic Delivery Options, Global Warehouse Locations, Proprietary Warehouse Management System

HOSTING

Managed Hosting and International Servers to allow deployment of highly responsive local websites globally, Bandwidth



THG Digital Brand Services

MANAGED COMMERCE & MARKETING SERVICES

Digital Experts to Trade, Market and Operate the Platform, utilising proprietary tools and Best In Class practices used for our own brands

CREATIVE & TRANSLATION SERVICES

Product, Campaign, Evergreen, Video, Brand, Packaging Design, cost-efficient and rapid deployment of digital content. In-house integrated translation, transcreation, SEO, Machine Learning, Translation Memory and international translation network

MARKETING & DATA PLATFORM

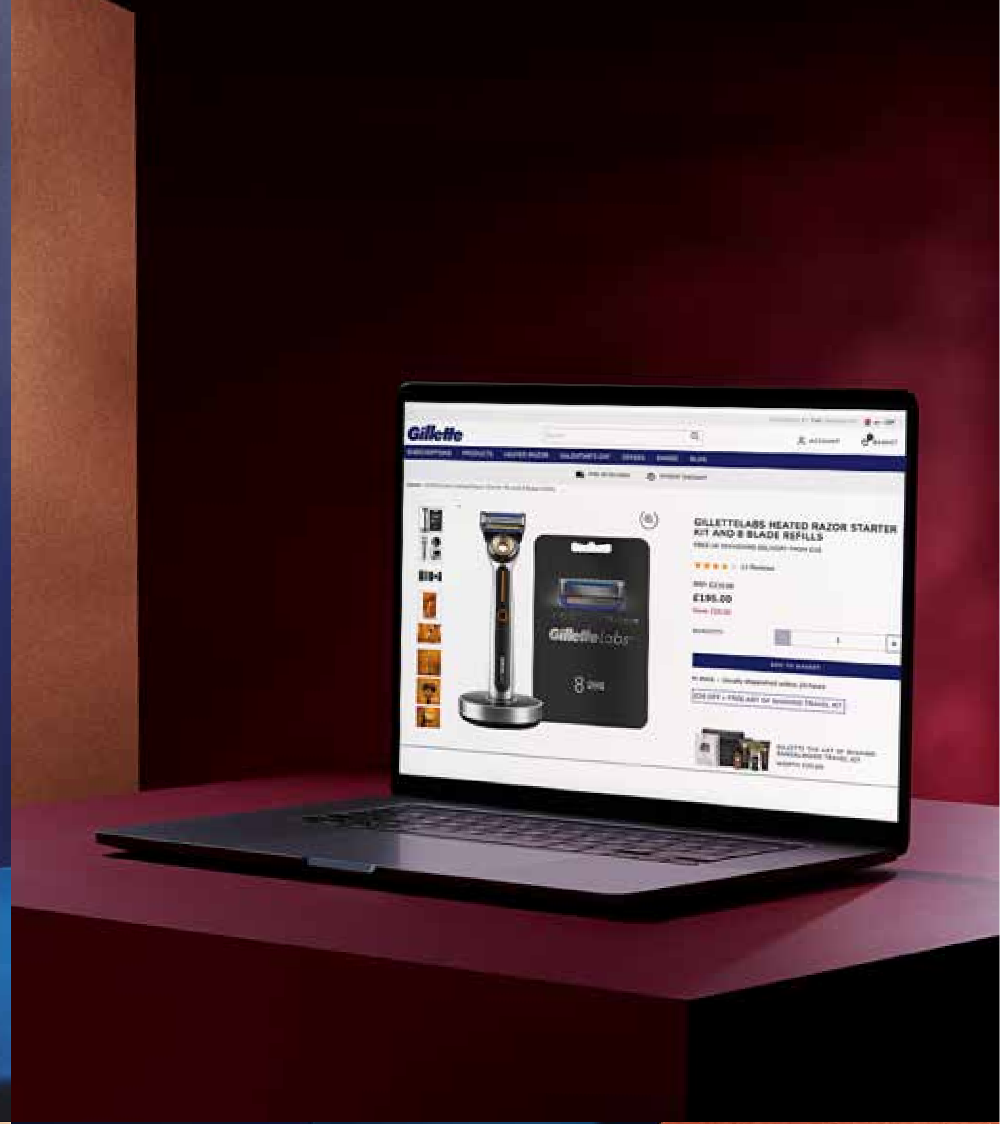
Integrated, Localised, Personalised, Shopping Feeds, Influencers, Customer Profiling, AI driven Emails, Loyalty Programs

GLOBAL CUSTOMER SERVICES

International CS offices, 36 languages covered, 24/7 service, multiple response channels, best-in-class training and KPIs

Technology

- A proprietary and fully integrated e-commerce platform to connect global brands with global audiences.
- Continually optimised by THG digital & tech teams.
- Visited by 3m customers each day.
- Fast, efficient and complete go-to-market programs for all strategic partners.

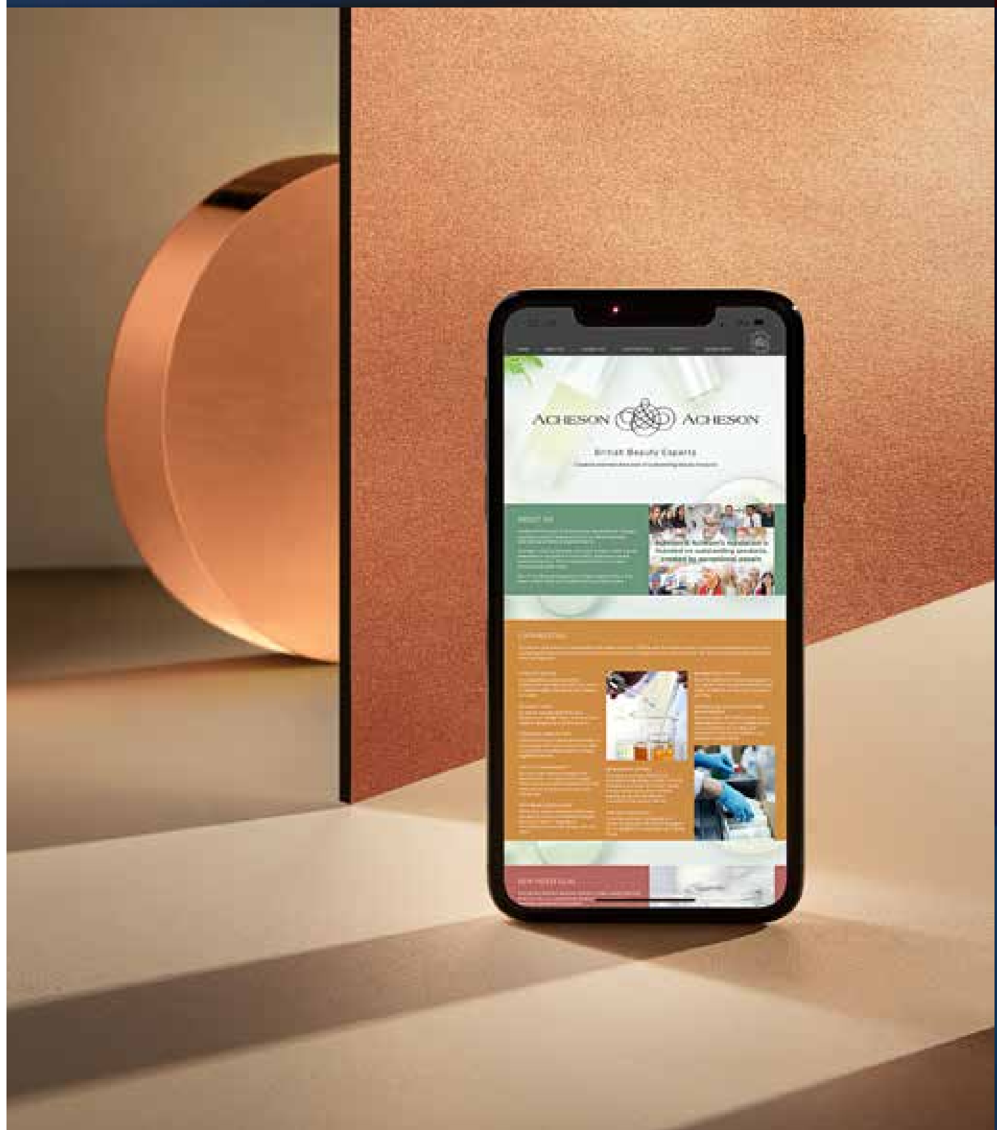


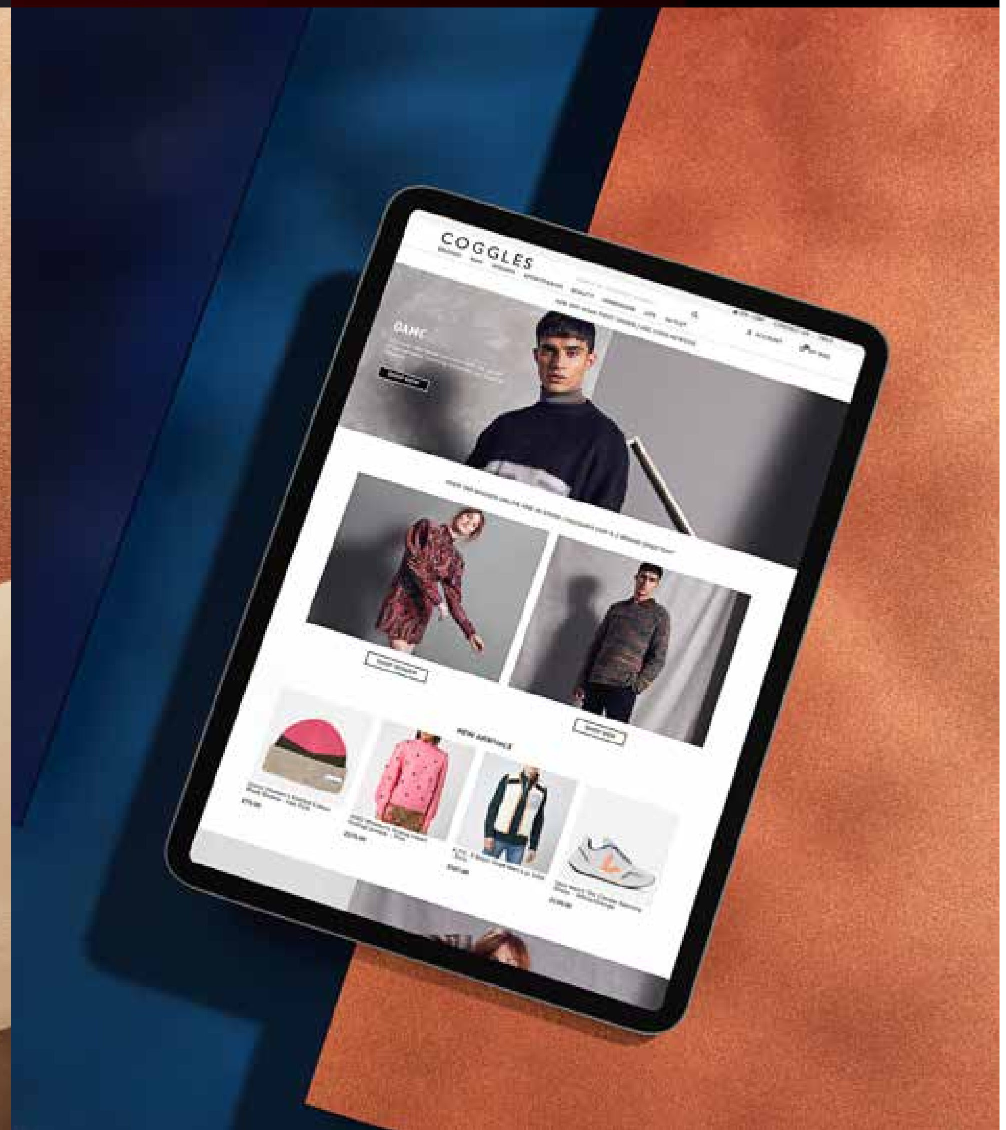
Brand

- Ownership of the full, online customer journey via hardworking digital creative, global copy and world-class performance marketing.

Operations

- A proprietary end-to-end fulfilment network from order to delivery.
- Uncompromised service across 5 continents.
- Reaching 23m customers in 195 territories.
- In-house product manufacturing constituting 68% of sales in Nutrition & Beauty.





Data

- Real-time intelligence and performance tracking to test, learn and refine.
- A proprietary engine to power 500+ daily reports.

12 months of THG Ingenuity Progress

THG Ingenuity has gained significant momentum over the past 12 months, as Retailers and Brand Owners recognise its unique positioning as a unique and proven, fully vertically integrated technology and operating platform to retail globally both at scale and profitably.

Asia-first localised approach

Our Asia business delivered another year of exceptional growth in 2019, with sales growing +35% year on year, with the region now accounting for 24% of Group sales. This included another year of impressive growth for Myprotein Japan, where sales grew +67% year on year. Developments in our infrastructure in Asia have greatly accelerated our operational capabilities in the region in 2019, positioning THG for the next stage of growth in one of our key markets.

In June 2019 we launched our Singapore bonded warehouse, advancing cross border routes, with 70% of Myprotein Asia orders now fulfilled from this facility, and with order times reduced by 60% into Japan, which is set to become Myprotein's largest territory in 2020. Our Asian fulfilment network has continued to advance with 9 territory specific partners in operation and direct relationships with airlines in the region, shipping 140 tons every week, and 500 tons each week in peak trade. This has been supported by the launch of new Asian fulfilment partner Singapore Post in the last 12 months. We have risen to the global fulfilment challenges presented by Covid-19, which include a reduction in airspace. Our response has included chartering 6 of our own planes to Asia from the UK in this period, priming us for the launch of our global fulfilment solution, THG Air, in 2020. Our Asia territory payment methods have increased to 17 out of a total 50+ global providers. This, teamed with accelerated recruitment of Asian Key Opinion Leaders ("KOLs"), with over 500 now within our network, and localised NPD and trading strategies, sees us continue to rapidly grow our Asian market share, while partnering with third party clients to grow theirs too.

THG ASIA - PILLARS OF SUCCESS

#1	Asia-First	An Asia-first, localised trading approach across Product, People, Events and Marketplaces
	Localisation	Localised, Influencer led-marketing
	Logistics	On-going development to an already extensive Fulfilment Centre network to improve delivery times even further
	Technology	Tech enhancements (Web platform via translations, payment provider and social integrations)

Asia Infrastructure Development

THG has a global footprint allowing us to reach customers in 195 territories with market leading delivery and support, with a step-change in network capacity and peak output delivered in 2019.

In 2018, THG operated from 5 fulfilment centres globally. During 2019, THG has expanded Global Fulfilment operations to 9 locations with an increased presence in the USA, Australia, and Asia. THG also invested over £60m in its freehold owned Polish fulfilment centre, which provides a significant Brexit hedge and which complements the freehold owned sister-facility in Cheshire, England. Due to these investments, THG has been able to expand network capacity by 30% and increase peak output by 55% in only 12 months. This demonstrates THG's commitment to deliver the best customer experience, with market leading customer service delivered by ensuring fulfilment capacity close to all customers.

THG Delivers is our newly launched and rapidly growing end-to-end carrier solutions network programme and experience platform. It combines the 155 global courier integrations within the Ingenuity platform with tailored carrier communications and tracking, keeping THG customers fully engaged within the THG retail journey.

Through our direct carrier integrations, THG Delivers also now includes real-time global performance monitoring, using direct delivery scans to measure global carrier networks for complete optimisation. The capabilities of THG Delivers have been extended into our bespoke Customer Service CRM, empowering our Customer Experience Agents with live carrier details on a central system, in a single consistent format.

Technology platform development

In the last 12 months our proprietary technology platform has been supported by 6,000+ updates as we strive for continual improvement and optimised performance. To that end, we have projected over £27m worth of incremental revenue as a result of our rigorous A/B testing plan, whilst also launching our own proprietary fraud platform. As the digital strategic within Beauty, we continue to invest in technology development, with a notable example being THG's patent pending Foundation Finder, which utilises computer vision and machine learning technology to allow customers to accurately colour match and select the best foundation for their skin type from home.

We are increasingly thinking mobile first, with the launch of 29 mobile apps that have delivered over £3.6m revenue, generated across 250,000 users, since launching in Q4 last year. Our CRM strategies continue to advance with a proprietary segmentation algorithm to ensure we are targeting our customers based on highly personal shopping and browsing behaviours. This has underpinned many of the 3.5bn emails sent last year and continues to drive industry leading conversion rates as one of our core channels. We translated over 25 million words globally to drive search engine optimisation (SEO) value and marketing campaigns across our sites. In Hosting, we opened new data centres in Dallas and New Jersey, while also investing in further expanding our capabilities in Frankfurt, with additional infrastructure set to launch in Singapore and Los Angeles imminently to add to our existing 29 centres around the world.

The digital transformation agenda

Such infrastructure and technology advancements see us increasingly partnering with THG Ingenuity clients on a much deeper level, driving an agenda of wide digital transformation across their business. As a peer-to-peer consultancy, THG Ingenuity is supporting more and more brands to re-platform away from their incumbent providers in favour of our single end-to-end solution. A number of clients are currently rolling out broad territory plans of localised websites, with such sites becoming increasingly crucial to achieving material growth across the Asian territories, leveraging our deep market knowledge, infrastructure and growing base of local language speakers to develop localised websites, mirroring the success of the Asian sites across Myprotein and Lookfantastic.

These digital transformation projects include multi-territory D2C sites for brands such as Elemis, Nuxe and Neal's Yard within the beauty sector, as well as 50 international site launches in under 12 months for Nestlé. This rapid transformation reflects the growing appreciation by brand owners of the importance of digitalising their brands at pace and at scale, while also recognising that THG Ingenuity is the standout partner of choice.

THG offers a proven enablement platform for frictionless and globally scalable end-to-end digital commerce

Ingenuity combines integrated best-in-class online D2C capabilities with experienced in-house talent and brand expertise to create a differentiated ecosystem with a compelling value proposition.

Value

- Using THG's aggregated service model avoids unexpected costs from working with multiple suppliers
- Increased visibility over future costs, with detailed rollout plans by territory and brands

Low execution risk

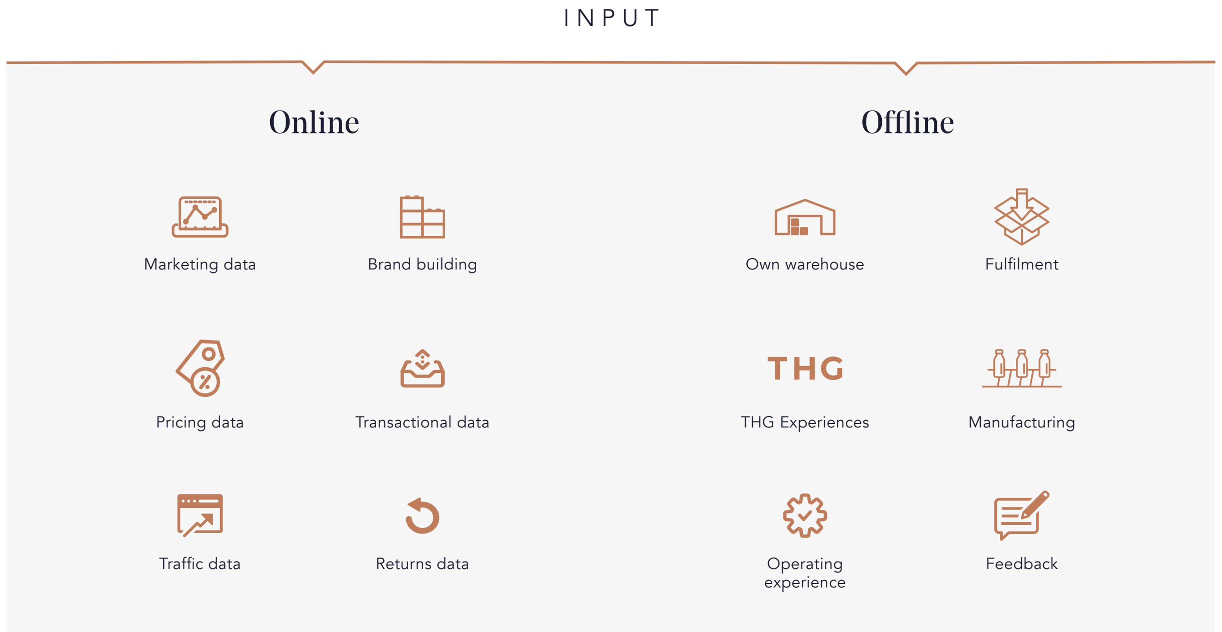
- Proven enablement platform, validated by success of THG's own brands
- Fully integrated offering, avoid the execution risk and complexity of integrating software of disparate 3rd party providers

Quick to deploy and scale

- Almost instantaneous deployment, as all core technology is in-house and fully integrated
- Rapidly scalable globally thanks to localised capabilities across value chain

In-House Operating Model

- THG and brand owner agree brand guidelines, set strategy and goals
- THG have a rich talent pool that is deployed across all of THG's own websites and those of its brand partners



THG INGENUITY

Operated for brands by a dedicated THG team with extensive experience of successfully scaling THG and 3rd party brands.

THG Experience & Influencers

With the ever-growing impact of social content creators and influencers on consumer product choices, THG is focused on becoming a global leader in connecting creators with Brands. As a result, THG have invested heavily in our Experience division and capabilities in Influencer marketing. THG Experience owns and operates luxury event spaces that allows for the activation and amplification of THG's Influencer and Brand Partnerships.

At the end of 2019, we now operate three luxury event spaces (King Street Townhouse, Great John Street Hotel and Hale Country Club & Spa), which are used to host immersive Influencer and Brand Partnership events.

These event spaces are unique in the market, providing fully customisable environments within which to showcase THG's brands and to engage with Influencers in the production of highly engaging THG Studios content. We host up to five brand events daily at each location. These bespoke spaces are used in a range of events synchronised around the Brand's trading and promotional calendar including:

- Regular Influencer events to drive deeper relationships and continued customer engagement to a global customer base
- Promotional events for new product launches in conjunction with key Influencers, and synchronised with online product launches
- Selected seasonal events (e.g. Christmas launch, Summer launch, Black Friday, Single's Day) that bring together key Brand Partners & Influencers
- Ability to create themed rooms for selected campaigns, with these being highly visually impactful for social media / Influencer campaigns

THG's partnership network now has over 4,500 creators working with THG across markets and platforms. Our own proprietary in-house technology platform – Ingenuity – provides access to bespoke analytics and insight into trends and results, that allows us to focus on connecting the right partners with brands. THG use a data centric approach, versus traditional methods that lack rigorous use of data, and gives creators access to hundreds of brands through the platform. THG has world class event execution for on-boarding and amplification, supported by the operational infrastructure to enable connection of any brand with any creator, from product shipment to tracking and payments. The success of our influencer strategy is demonstrated by influencers now accounting for 11% of online sales vs 1% in January 2018, with further investment in our proprietary influencer platform taking place in 2020.

THG are global leaders in connecting creators & brands through our international influencer network and proven model for profitable ROI .

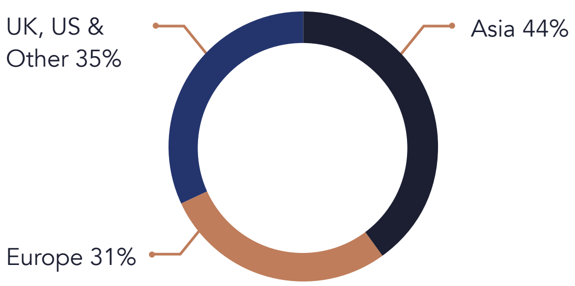
WHY IS A STRONG INFLUENCER STRATEGY SO IMPORTANT TO SUCCESS?

- CPM rates rising as brands make the shift to Digital – Google, Facebook dominate the wallets
- Barriers to succeeding in paid media space lower (automation and tool enhancement)
- Influencer marketing 3 to 4 time more effective than paid media channels at acquiring customers
- Incredibly cost effective content, whereas it would cost £millions to produce the same volume of content through studios
- Social and video platform dominate engagement of younger audiences - creators are key in winning in this social arena

HOW DOES THG ENABLE BRANDS TO WIN IN THIS SPACE?

- Offering un-paralleled benefits, experiences and incentives to our influencer network
- Leading with an influencer-first focus and approach in marketing
- Optimised model for profitable marketing ROI
- THG Experiences event spaces used to activate, engage and broaden our influencer relationships
- Breadth of data & insights underpins every trading and marketing decision, giving brands a critical advantage
- Utilising the Ingenuity technology platform allows brands to act smarter and faster in a market where agility is vital to success

THG Influencer Region Mix - Dec 2019



THG Asia – All Bases Covered

Complementing our global Influencer Platform, our development of hiring local talent whilst establishing marketing relationships with key search engines and partners within each territory has been critical to the accelerated growth of the Group within Asia.

Search Platforms:

Maximising exposure for discovery across all paid & organic placements across local search engine, whilst acquiring new customers through display networks

- Baidu (CN) and Yahoo JP (JP)
- Naver (KR), Shenma (CN) and Sougou (CN)

Affiliate Platforms:

Direct relationships with all key local partners to ensure commission based growth in key territories

- Awin (All) and A8 (JP)
- Duomai (CN), EMAR (CN), iChannels (TW), Rewardsnap (HK), Linkprice (KR)

Social & Messaging Platforms:

Cultivating engaged advocates of the brand across local social platforms whilst maximising retention through social commerce

- Wechat (CN), Weibo (CN) and Line (JP&TW), RED (CN)
- Douyin (CN), KaKao (KR)

Influencers:

Direct relationships through the THG Society platform, identifying the most engaged KOL's within each market to drive performance

- Proprietary THG platform with 1,000+ KOL's & KOC's

Marketplaces:

Scaling sales and distribution further across all key marketplaces to drive new customer acquisition across target audiences

- Tmall (CN), Kaola (CN), JD (CN) and Rakuten (JP) live.

Ingenuity combines fully integrated marketing services and technology

Team of marketing specialists dedicated to the overall planning and execution of performance marketing activities for clients' sites.

Marketing functions are automated via proprietary systems designed to automate all aspects of performance marketing.

- Enables THG to automatically segment and analyse the behaviour of customer groups and target specific customers via email and social media
- Customer reach significantly broadened by utilisation of THG's affiliate and influencer networks
- Platform combines own data with 3rd party data from the likes of Facebook and Google providing a single view of customer to inform trading and marketing strategies

Bespoke trading dashboards and reporting offer real-time view of customer behaviours.

- Bespoke reports covering all aspects of Trading, Marketing, Stock, Fulfilment, Customers, facilitating real-time strategy adjustments at a micro level

Together the marketing services and technology allow THG to:

- Quickly adjust marketing strategy and spend to optimise daily trading performance
- Optimise customer acquisition and maximise customer lifetime value

MARKETING SERVICES

PPC optimisation

Paid social media

Display media

Programmatic display optimisation

Technical SEO

Affiliate marketing management

Influencer marketing

Email and SMS marketing

Referral programmes

MARKETING TECHNOLOGY

eCRM

Marketing automation

Feed management

Influencer platform

BESPOKE REAL-TIME SERVICE MONITORING

THG Beauty

THG Beauty is the digital strategic globally across a unique digital ecosystem, including prestige brand ownership (7); in-house new product development and manufacturing (Acheson & Acheson); retail of 3rd party brands (850+); and subscription (370k per month).

2019 was another highly successful year for THG Beauty, as THG continued to strengthen its position as the digital strategic within the Beauty industry, with revenue growing +34% year on year.

THG Beauty spans brand ownership, 3rd party brand retailing, subscription boxes, in-house manufacturing, global product compliance/registration and new product development, while also powering the direct to consumer websites of an increasing number of beauty brands through the THG Ingenuity division. With its unique digital ecosystem and market leading Beauty Retail platform, THG is the leading global digital beauty provider, competing with the traditional beauty powerhouses.

THG is the leading online pure-play premium beauty retailer globally, operating websites including Lookfantastic (which has 25 local variants), Skinstore (US) and RY (Australia), retailing over 850 premium brands across skincare, haircare, cosmetics, and fragrance. Given the selective online distribution of premium beauty brands, THG has cultivated a highly loyal customer base, with 81% of 2019 revenue from repeat customers. These websites continue to deliver outstanding growth, with a three year sales CAGR of +38%. 64% of sales in 2019 were international, reflecting the success of the THG Ingenuity platform in internationalising THG's portfolio of beauty brands.

THG's prestige own brand portfolio addresses consumer needs across skincare, haircare and cosmetics. Today, the sub-segment consists of a disruptive portfolio of prestige beauty brands that have been scaled both online and internationally through the THG retail platform. THG has a proven track record of digitalising & internationalising brands, with direct to consumer sales being accelerated for all brands, with much enhanced margins.

THG also operates Glossybox, Europe's leading monthly beauty subscription box business. Together, Glossybox and THG's Lookfantastic beauty box business have 370,000+ monthly subscribers, with this providing THG with authority as a source of digital beauty education and discovery, while also acting as a highly effective customer acquisition channel for THG's beauty retail sites, converting

high spending sampling customers to full size sales on Lookfantastic.

These businesses delivered another year of exceptional performance, with sales growing +25% year on year in 2019, and continued to attract new audiences across all markets. Demand has been driven by successful digital & influencer marketing, and a unique approach to sourcing exclusive boxes in partnership with brands and influencers.

THG Beauty also includes Acheson & Acheson, a leading British FDA and BRC A accredited state-of-the-art product developer and manufacturer, which THG acquired in 2018. The acquisition enhanced the sub-segment's vertically integrated offering by introducing in-house product development and manufacturing. This has resulted in a fully vertically integrated business model, with full control over new product development (NPD) and has significantly reduced development timelines, with innovation informed by demand insights from THG's global beauty retail customer base. The majority of THG's own beauty brands are developed and manufactured in-house, retailed on THG's websites and shipped directly to consumers globally by the THG Ingenuity platform.

Supported by THG Ingenuity, THG Beauty has delivered rapid international growth for both THG Beauty brands and partner brands. Leveraging its end-to-end technology platform, data insights, digital content, performance marketing and influencer networks & events, THG's fully integrated model offers brands unparalleled opportunities to connect with global audiences and optimise investment in real-time via the THG Data & Analytics platform. Consequently, THG Beauty now represents a critical route to market for the world's leading and emerging beauty brands, with this importance continuing to grow as online channel shift continues and Lookfantastic continues to expand internationally.

As well as operating as a critical route to market through Lookfantastic, THG's relationships with beauty brands is becomingly increasingly multi-faceted as its operating model scales and evolves. In 2019 Lookfantastic began leveraging THG's Experience division to provide brand-first experiences and events across THG's bespoke luxury event spaces, providing beauty brands with new and exciting ways to connect with their customers.

THG is also increasingly powering the online direct to consumer websites of beauty brands through its THG Ingenuity division, providing brands with a route to rapidly scale both online and internationally. Further, through Acheson & Acheson, THG's product development and manufacturing business, THG is able to manufacture and develop innovative new products for its brand partners. Increasingly, THG is engaging with brands not only as a retailer, but also as a technology partner, product developer and manufacturer, with this being unique in the beauty industry, and positioning THG as the digital beauty strategic.

Lookfantastic

As the largest digital only speciality retailer globally, Lookfantastic is the critical enabler of online and international growth of over 850 prestige beauty brands.

Acquired in 2010, THG has transformed Lookfantastic from a UK retailer of predominantly salon brands to what is now the largest global beauty retail platform by number of brands and number of territories. Since acquisition, Lookfantastic has consistently outperformed the market, delivering 40%+ CAGR over the last eight years, and with 64% of sales now international.

Today, Lookfantastic is the ultimate online destination for prestige beauty, operating 25 websites across 146 markets, and reaching over 3.5m customers in 2019. Offering over 850 premium brands including Tom Ford, Laura Mercier, Estee Lauder, Jo Malone, Anastasia Beverly Hills & Natasha Denona, all of which are 100% authorised and directly sourced, Lookfantastic represents a critical route to market for beauty brands seeking to grow, innovate and connect with global audiences. Given the selective online distribution of premium beauty brands, Lookfantastic has cultivated a highly loyal customer base, with 81% of 2019 revenue from returning customers.

In 2019, growth was spread across mature markets, including the UK (+52% year on year), where THG continues to gain market share from online competitors and store based retailers, and emerging markets (Korea +84%, Singapore +73%, Japan +168% and Thailand +282%), where continued technology development and localisation has enabled THG to rapidly gain market share and create international demand for brands that had previously been channel and country-locked.

THG also operates Europe's leading monthly beauty subscription business Glossybox. Together, Glossybox and THG's Lookfantastic Beauty Box businesses have c. 370,000 monthly subscribers, positioning THG as a leading authority in digital beauty education and discovery. The global strength and appeal of the Lookfantastic brand, combined with THG's subscription technology, has enabled Lookfantastic to successfully extend into a highly successful subscription beauty box business, with this segment growing +39% year on year in 2019, and now operating across 146 markets.

Lookfantastic continues to dominate the online beauty market and partner with the world's most exciting beauty brands to deliver an unparalleled beauty experience.

THG Brands

THG digitalises brands in the Beauty and Wellbeing arena. Through acquisition, THG is building a disruptive portfolio of prestige beauty brands, manufactured in THG-owned facilities, and retailed online direct to consumer though the THG Ingenuity platform.

We expanded our brand portfolio through the addition of Christophe Robin in 2019. Christophe Robin is a luxury natural haircare brand, retailed on THG Retail sites and through retailers such as Sephora and Space NK.

Following the acquisition of Christophe Robin, THG now has a portfolio of 7 beauty brands, which are being scaled both online and internationally through THG's global online retail platform, Ingenuity, augmented by targeted beauty education and discovery through our beauty boxes.

Our acquired brands scale rapidly and enjoy enhanced margins once introduced to the Ingenuity platform, as a result of channel shift towards online D2C revenues. By contrast, traditional beauty brands are often channel and country-locked, providing more limited opportunities and less profitable routes to growth.

THG has a compelling track record of profitably scaling brands direct to consumers. This has been demonstrated over the last decade with Lookfantastic and Myprotein (acquired in 2010 and 2011 respectively). This evolution continues across the rest of the brand portfolio, with significant increases in online D2C channel sales and EBITDA margins achieved across all brands.

The majority of THG's own beauty brands are developed and manufactured in-house, retailed on THG's websites and shipped directly to consumers globally by the THG Ingenuity platform. In addition, THG Beauty Brands continue to be sold in brand enhancing physical retail channels, including Harrods, Selfridges, Harvey Nichols, Sephora, Space NK, and leading hotels/spas including Corinthia Group, Gleneagles, Ritz-Carlton, and The One and Only Group.

This division also includes Acheson & Acheson, a leading British FDA and BRC A accredited state-of-the-art product developer and manufacturer, which THG acquired in 2018. The acquisition enhanced the sub-segment's vertically integrated offering by introducing in-house product development and manufacturing. This has resulted in a fully vertically integrated business model, with full control over new product development (NPD), branding and design capabilities, and has significantly reduced development timelines, with innovation informed by demand insights from THG's global beauty retail customer base.

Strategic Brand Investment Christophe Robin

At the end of April 2019, THG acquired Christophe Robin, a Parisian luxury haircare brand specifically focussed on scalp and colour care. This investment reinforces the luxury positioning of the THG Beauty brands portfolio and brought talented field teams located in the USA and continental Europe into THG. Knowledge and expertise in these markets will unlock sales potential across the portfolio of THG Brands.

Established in Paris in 1999 by celebrity colourist Christophe Robin, the brand aims to emphasise a women's natural beauty by maintaining scalp health, nourishing hair and protecting colour. The brand sits within an established and fast-growing segment of the beauty industry and has seen its sales increase by over 40% for each of the last two years.

Christophe Robin products are designed to be kind to the scalp and hair, formulated with over 80% natural ingredients – and are free from parabens, silicone, SLS, colorants, oxidants, ammonia and are not tested on animals.

The brand also has a strong visual identity linked to its Parisian heritage and epitomises the notion that French women are renowned around the world for their sophisticated approach to beauty.

This identity is used to define a new vision of luxury in haircare, based on 'authentic savoir-faire, with a touch of originality'.

With more than 70 products across 10 product ranges, Christophe Robin is stocked in multiple countries including the UK, USA, Europe and Asia.

With innovative product formats, each product is designed to bring a little luxury to every day. The cleansing purifying salt scrub has built a cult following since its launch and remains the bestselling SKU in all territories.

New product development in 2019 continued this innovation with the launch of a detangling geleé, the perfect partner to the best-selling salt scrub, and more recently the brand's first foray in to styling products, which maintain the ethos of putting care first in your hair routine.

The investment delivers strategic benefits for THG as it strengthens our portfolio of global Beauty brands by bringing two dedicated and ambitious field teams into the THG Beauty brands structure in strategic markets, the US and continental Europe. These teams work closely with retail partners to drive sell through, educate consumers and provide market insight.

Strategic Investment: THG Manufacturing

Acheson & Acheson

At the end of August 2018, THG acquired Acheson & Acheson, a pre-eminent British beauty contract manufacturer and product developer. In 2019, this significant investment has enabled THG to deliver a step-change in its innovation, operational excellence and manufacturing capabilities. This continued investment supports THG's ambition of becoming the fully integrated, global digital leader in the Beauty and Wellbeing sectors.

Established in 1992, Acheson & Acheson has grown at rapid pace to its position as a distinguished manufacturer for prestige beauty brands, supported by its best-in-class R&D, manufacturing, regulatory compliance, product design and product development functions. Acheson & Acheson has over 380 employees, which includes more than 50 people working exclusively on pioneering product development and innovation, keeping its clients at the forefront of the beauty industry.

The business offers an end-to-end service that runs from product/packaging design & development, formulation development, international sourcing, product testing to UK manufacturing, warehouse and distribution. The company also holds numerous high value accreditations, including being a certified BRC Grade A Supplier, SEDEX Members Ethical Trade audited, and COSMOS Organic / COSMOS Natural approved.

THG is now using Acheson & Acheson's Best-in-Class product development and innovation teams to oversee the future product development and brand positioning of all THG's Beauty brands, combining this with data insights from THG's Data platform to deliver highly targeted New Product Development across the brand portfolio. THG has also seen the benefit of margin enhancement through moving manufacturing in-house.

Additionally, the acquisition has deepened THG's relationships with beauty brands, through being able to offer product development, product compliance manufacturing, technology, retailing and fulfilment as part of a single operating model. Increasingly, THG is engaging with brands not only as a retailer, but also as a technology partner, product developer and manufacturer, with this being unique in the beauty industry.

Acheson & Acheson has a state-of-the-art 78,000 sq. ft. manufacturing facility in Somerset along with two other sites nearby – one being its head office and the other, a site for product packaging, storage and distribution.

Myprotein

Acquired in 2011 as a UK sports nutrition brand, Myprotein has since expanded to become the #1 online wellness brand globally, with internationalisation powered by THG Ingenuity and THG's digital brand building capabilities.

#1

Global Online Sports Nutrition Brand

+51%

MyVegan Growth YOY

54

Local websites

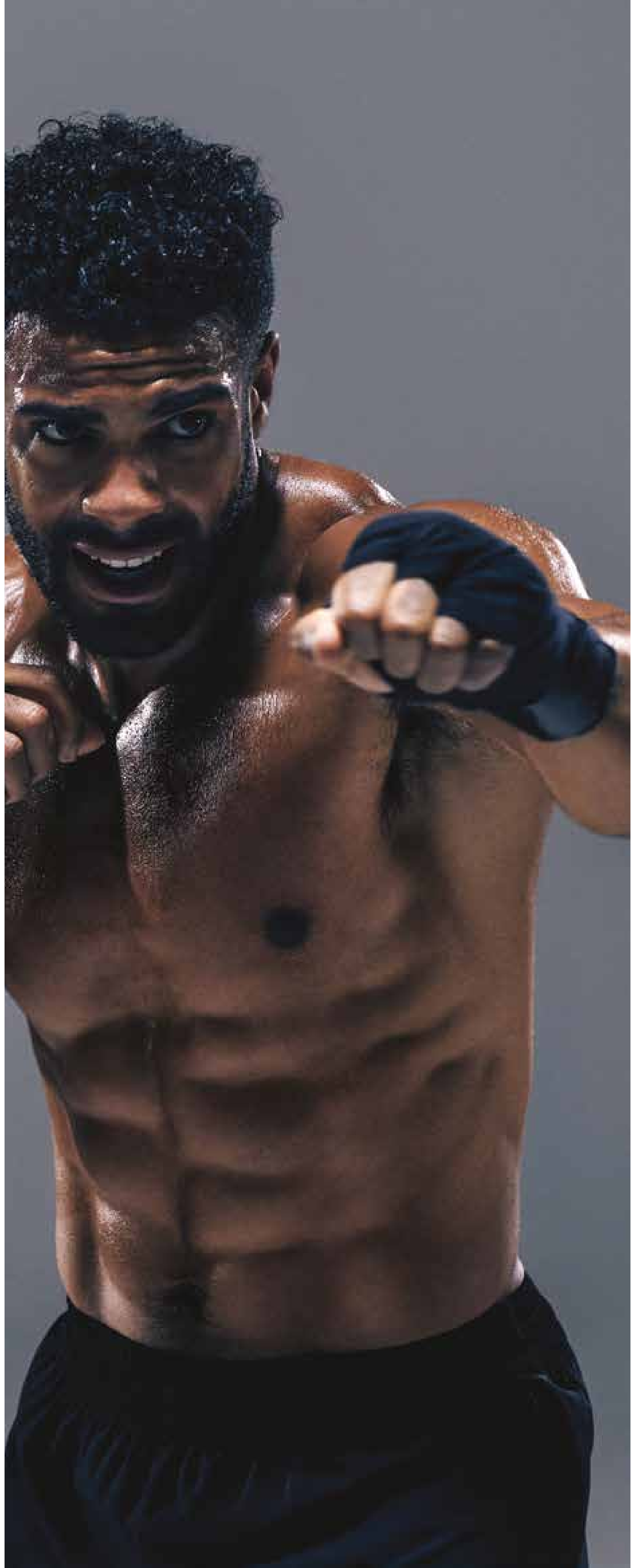
Since Myprotein was acquired in 2011, sales have increased at a +45% sales CAGR, as we have harnessed the power of our technology ecosystem to drive rapid growth in direct to consumer sales and delivered aggressive international expansion.

In 2018 and 2019, THG undertook a comprehensive rebrand and repositioning to broaden the appeal of the brand to a wider customer demographic. This involved evolving the brand from its previous single brand positioning (Myprotein, the online leader in sports nutrition globally) into a family of brands targeting adjacent market segments in the wider wellbeing industry: Myvitamins, Myvegan, Myprotein Pro and MP Clothing, with each family brand supported by individual brand building, product development, digital content, trading and marketing strategies, enabling broad-based growth across all categories of the wellbeing market. In 2019, Myvegan sales grew +51% year on year and Myvitamins.com sales grew +81% year on year as we continued our expansion in these fast-growing adjacent categories.

2019 marked another landmark year for the brand, with sales growing at c.25% year on year since the global rebrand. 80% of Myprotein's sales are now from outside the UK, with Japan set to become the brand's single largest territory in 2020.

Myprotein is fully vertically integrated through in-house proprietary technology, content, fulfilment, in-house marketing, new product development and production and is the largest online sports nutrition brand globally. Our vertically integrated business model has been instrumental to our success in Asia, enabling us to localise our offering, with in-house production facilitating the development of products that are catered for the local palate, supported by a localised marketing, trading strategies and an international ambassador and affiliate network that ensures a location-specific customer experience. This has resulted in explosive growth in the region, with Japan, South Korea and Taiwan all growing in excess of +100% sales CAGR over the last three years, and with Myprotein's Asia sales increasing by +188% year on year on Single's Day, a major Asia trading day.

THG's localised approach to brand building has been accompanied by a fully localised marketing strategy, with over 20 localised events hosted throughout 2019 covering: Manchester; Tokyo; Seoul; Shanghai; LA; Mumbai; Paris; Berlin; Moscow and Poland. These events are supported by an influencer network of



over 1,700 partners, delivering highly engaging daily content to Myprotein's global customer base.

In addition, in 2019 THG opened new warehouses in Singapore and India, enabling THG to service Asian customers with an enhanced delivery service, with c.70% of Myprotein Asia orders now fulfilled locally.

Myprotein opened a new in-house production and product development facility in Poland in 2019, complementing the existing facilities in the UK and USA. These facilities provide full control over product quality and new product development, with the lead facility being a state of the art BRC AA Grade production facility. In 2019, Myprotein delivered over 250 innovative new products across its brands, with these launches driven by demand insights from Myprotein's global customer base and tailored to local taste palates. Myvegan now has its own dedicated website and this business saw over 20 new product launches in 2019, as we continue to gain market share in this fast growing category.

As testament to our leading product development capabilities, Myprotein won the ESSNA award for best sports nutrition product for its "Clear Whey" product. While new product development is a key continuous driver of Myprotein's growth, existing products also remain key, with 71% of sales arising from products launched prior to 2017. This is complemented by a highly loyal customer base, with 84% of 2019 revenue from recurring customers.

Optimising the Group Structure & Funding

In December 2019, the Group completed a wholesale balance sheet restructuring alongside an oversubscribed €1bn capital raise delivering a step-change in its funding structure.

THG established an OpCo/PropCo structure to separate the property investment strategy from the operating group's trading business, to enable an efficient financing structure to fund the two distinct parts of the group.

13 of the Group's existing properties have been transferred to PropCo in 2019. PropCo will entirely self-fund the development of THG's pipeline asset, ICON (a design studio), by renting existing properties to OpCo.

Creating a new wholly owned and ring-fenced PropCo holding company allowed an additional £197m of secured debt and development funding to be agreed alongside an institutional €600m Term Loan B (TLB) and £150m Revolving Credit Facility within the OpCo Group.

The restructured Group is now able to fully leverage its substantial freehold-owned real estate assets to efficiently support investment in its freehold properties within its THG Experience division, as well as the construction of ICON and THQ, the Group's two landmark developments at Manchester Airport, creating best-in-class content studios (270k sq. ft.) and offices (300k sq. ft.).

The 7-year tenor of the new TLB is a significant increase in maturity versus the previous facilities providing a long-term capital structure with fully aligned financing partners and a fully funded property strategy.

The B+ public debt rating secured as part of the process and the new access to public debt markets provides an additional, quicker route to further debt capacity as the Group continues to grow and invest. Strong investor demand with Brexit and UK general election related uncertainty for the inaugural issuance is yet another ringing endorsement of both the near-term momentum and long-term outlook of the Group.

The refinancing has seen the Group diversify from 100% bank debt to a much broader source of debt providers ranging from TLB Institutional Investors, UK and International Corporate and Real Estate banks, and Trafford Council Local Authority Fund.

£66m of primary equity raised from global investment manager, Blackrock, and Belgium-based investment company, Sofina completed the cash raise that when added to the newly agreed debt facilities provides significant firepower to capitalise on market opportunities in 2020, enabling THG to drive greater investment in its leading Beauty & Wellness brands and Ingenuity.

Strategic Investment: THG Experience

Eclectic Hotel Group

In May 2019, THG acquired the Eclectic Hotel Group, comprising two of the UK's most prestigious luxury boutique hotels: King Street Townhouse and Great John Street Hotel.

The strategic acquisition demonstrates the Group's innovative approach to effective and innovative engagement with consumers in both the online and offline environment. As such, the hotels will form part of THG's growing marketing infrastructure that delivers enhanced consumer experiences, influencer and brand-led events as well as content creation.

Located in Manchester city centre, the high-end boutique hotels are among the highest rated sites in Manchester and provide 70 rooms in total, combined with award-winning events and entertaining space.

Both hotels are housed in impressive buildings that accommodate a selection of uniquely designed bedrooms, lounge and bar areas as well as roof-top terraces overlooking Manchester. King Street Townhouse also houses an infinity pool, private screening room and a wine cellar dining room.

100 King Street, Manchester

During the year THG secured 12,000 sq. ft. of luxury space within the iconic Edwin Lutyens designed and Grade II listed 100 King Street building in Manchester city centre. THG will undertake a significant refurbishment programme whilst being sympathetic to the stylish listed features. As part of the programme, THG will convert the former restaurant site into a "World of THG" contemporary retail and experiential marketing space designed to showcase the Group's prestigious Beauty and Wellbeing brands.

THG is combining successful online growth with increasing investment in premium assets. These properties are highly complementary to the Group's existing ownership of the five star Hale Country Club & Spa, which it acquired in June 2016.

Future Property Investments

Campus style workspace centralisation and freehold ownership ensure a singular business culture and enable best practices to be attained across all functions, empowering THG's employees to scale and excel.

Historically, THG employees were centralised within our Cheshire campus. However, in 2018 the head office relocated to 85,000 sq. ft. of short-term leased offices at Manchester Airport in preparation for the commencement of the Group's new campus build.

ICON

Following THG's 2017 acquisition and integration of the UK's leading content studio, Hangar 7, THG has acquired seven acres of land adjacent to Manchester Airport to create a centralised content campus. Spanning almost 300,000 sq. ft. across studio and office buildings, ICON will house c.2,000 people focused on video production and photography, to be used across THG's digital offering. The development is currently on track and due to complete in early 2021.

THQ

Adjacent to the UK's third ranked airport, the largest of the two sites, 'THQ', is a new landmark business campus. The site will be built over 16.8 acres in three phases, with phase one comprising cutting edge office space totalling 280,000 sq. ft. and housing 3,500 employees. An option agreement has been reached between THG and Airport City Manchester for phases two and three of the business campus. Upon completion, the campus will support up to 10,000 jobs and at c.1m sq. ft., THQ will represent the UK's largest owner-occupier office development in the UK. Construction will commence in the second half of 2020.

World Class Talent & Diversity

Our aspiration is to be the number one destination for ambitious talent - our unique high performance and meritocratic culture encourages ambition, innovation, and career growth at an exceptional rate.

128

Nationalities

31

Average Age

13

Locations Worldwide

The Group's talent base continues to experience major sustained growth, with thousands of staff located across the globe. At the end of 2019, we had over 7,000 employees (including agency staff). We saw 16% employee growth in the last 12 months, as we created over 1,000 new jobs in the North West of England during the year.

We have also seen significant growth within our headcount from acquisitions, largely driven by over 200 highly skilled hospitality professionals integrating into THG following the acquisition of the Eclectic Hotels Group.

As per our aspirations, we continue to take a bold approach to building an incredibly diverse pool of talent, which includes:

- 128 nationalities;
- 52% male to 48% female; and
- Average age of 31.

Over the course of 2019 our global footprint has expanded significantly; we are building global teams and anticipate more locations opening around the globe.

In 2019, we invested heavily in our People functions, including the launch of new global people systems, relaunch of our leadership academies, and further investment in our office infrastructure, all focusing on setting THG up for further significant headcount growth during 2020.

We expanded on the success of our THG Academy along with our Accelerator programme that delivers technology leaders of the future.

During 2019, we engaged for the first time in the Top 25 programme, measuring engagement levels across the business and providing benchmarks vs wider industries.

Results supported the outstanding people journey offered here at THG, positioning THG as a "one to watch" company.

We published our 2019 Gender Pay Report for the Group. Our median pay gap reduced to 4%, which is well below the national average and we demonstrated how we pay bonuses to a greater proportion of our female employees, than we do men

When our Technology Division is excluded then our gender pay gap falls to -4%, and in like-for-like roles, such as Customer Services Advisor or Warehouse Operative the difference is negligible at +/- 0.5%.

UK

- Manchester
- Northwich
- London
- Farnham
- Frome
- Macclesfield
- Leeds
- Warrington

USA

- Arizona
- Louisville, Kentucky
- Logan/Lindon, Utah
- New York City
- San Antonio, Texas
- Los Angeles
- New Orleans

EU

- Berlin, Germany
- Lisbon, Portugal
- Kyiv, Ukraine
- Wroclaw, Poland
- Stockholm, Sweden

Rest of the World

- Delhi, India
- Dubai, UAE
- Hong Kong
- Japan
- Melbourne, Australia
- Sydney, Australia
- Singapore
- South Korea
- Taiwan

THG Sustainability

THG is committed to doing business responsibly and reducing any adverse impacts of our operations on the environment. We also recognise the importance of encouraging the same values through our entire supply chain. As we grow, sustainable development becomes increasingly critical to our success, which is why we continue to adapt our approach to sustainability.

Fundamentally, sustainability is driven by our strong internal governance, which is why we have established a Sustainability Committee in 2020. The Committee oversees our newly refreshed sustainability strategy and drive its integration throughout all levels of the business.

Four pillars of sustainability define our strategy, which are underpinned by 8 areas of focus.

Our strategy recognises that sustainable business encompasses a broad range of topics. An important aspect is the management of our environmental footprint, including carbon emissions, natural resources and waste. THG has always taken our environmental impact very seriously, and we're already taking big steps to improve our performance. Additionally, we place equal importance on our wider ethical and societal impacts through our value chain including on our suppliers, customers and employees. We seek to hold transparent conversations with stakeholders to ensure that our actions are driven by clear targets, continuous improvement and innovation.

OUR COMMITMENT TO THE PLANET

- Reducing Carbon & Energy
- Eliminating Waste

OUR COMMITMENT TO SUSTAINABLE RESOURCES

- Protecting Natural Resources
- Creating Ethical Supply Chains

OUR COMMITMENT TO PEOPLE

- Improving Physical & Mental Health
- Enhancing Employee Wellbeing

OUR COMMITMENT TO LIVELIHOODS

- Giving Back to Communities
- Generating a Sustainable Economy

THG in the Community

THG plays a pivotal role in the community, most notably in the North West of England, which has been home to the Group since its inception 15 years ago, and where the Group has created over 4,500 jobs. The Group also has a sense of wider social responsibility and a commitment to the North West, evidenced most recently by a £10m COVID-19 aid package, with £5m pledged to Manchester and millions of units of protective personal equipment.

On 2 April 2020, THG announced a £10 million aid package to support vulnerable communities, key workers and emergency services in Manchester, the UK and its international markets during the COVID-19 crisis.

THG pledged to donate £5 million of aid directly into the Manchester area, including a £1 million immediate cash donation and £4 million of critical products and services. The Charitable donation was split between two charities; £0.5 million to We Love MCR (the Lord Mayor of Manchester's charity) which is supporting groups and charities responding to the coronavirus issue in the city of Manchester through its Covid-19 community response fund; £0.5 million to the Greater Manchester Mayor's Charity which helps homeless people across Greater Manchester.

The £4 million of critical products and services were lines where there is an acute shortage across the world and THG has been racing to meet rapidly increased global online demand for essential vitamins, foods, supplements, personal care & hygiene products. THG has also pledged all 70 rooms in both of its prestigious Manchester city centre hotels – Great John Street Hotel and King Street Townhouse. These hotels have been available at no charge to support both NHS staff and Greater Manchester Police who are working away from their families.

Furthermore, THG has transitioned part of its manufacturing capability to produce hand sanitisers to help meet the exceptional global demand and will be giving £1 million free hand sanitisers to people who otherwise can't access them, as a part of the aid being provided. Additionally, one million meal packages and food parcels are being produced for vulnerable people in the North West, namely food banks and local people who cannot access supermarkets as well as providing every THG employee at the Warrington Omega facility a ready-to-cook free meal for two people to take home at the end of each and every shift. This reduces the need to visit busy supermarkets, protecting the well-being of our colleagues. This equates to c5,000 packages (c10,000 meals) a week. Additionally, a further £5 million of aid is being pledged by THG to areas outside of the North West, including international markets.

We also announced the creation of 500+ new Manufacturing and Distribution jobs across our UK, European, US and Asia operations, equating to £10 million going back to the local economy.

Financial Review

Revenue

2019 was another year of excellent sales growth for THG, as our products and services continue to innovate the sectors we trade in. This has resulted in strong sales from returning customers complimented by a wave of new customers across the globe. Group revenues increased from £916m to £1,140m with the three-year CAGR now standing at 31%.

The Group continues to develop its global presence, with both the UK and Rest of the World segments growing 30% and 26% respectively, powered by the global reach of Ingenuity and our ability to localise in every market. The Group has continued to deliver organic growth, complemented by strategic acquisitions and significant capital investment readying the business for continued success over the next 10 years.

The Group has further invested in digitally optimising its own brands divisions, with sales increasing 23% year on year, spanning 169 countries.

Gross profitability

The Group achieved gross profit of £511m at a gross profit margin of 45%, showing a 3-year CAGR of 34%.

Operating expenses

Distribution costs, excluding exceptional items, remain well controlled at 17.1% (2018: 16.9%) of sales, despite increasing operational capacity three-fold over the last year, as we commissioned 8 new fulfilment centres across Asia, Australasia, Europe and the USA.

THG's strong international mix, illustrates the benefit of having an end-to-end fulfilment model utilising an extensive local courier network spanning over 155 partners, all of whom are fully integrated into our proprietary technology platform. The Group has built significant surplus capacity in its global network to fuel future growth with our courier integrations providing optionality for the end customer and enhancing the customer experience through customised communications.

Adjusted EBITDA

The Group has incurred some exceptional items which are one off in nature and not reflective of the underlying performance of the Group. As such, management use adjusted EBITDA as the key measure to track underlying trading performance. Adjusted EBITDA rose to £111m from £91m, representing an increase of 22% on 2018 and maintaining a c. 10% EBITDA margin, despite carrying material surplus capacity in our supply chain, which will power future growth and margin expansion.

Underlying administrative costs (staff, marketing, other administrative costs but excluding exceptional items, share-based payments, depreciation and amortisation) increased during the year to £204m (18% of sales) from £172m in 2018 (19% of sales), reflective of THG's investment in people and facilities to drive future growth plans.

Marketing costs increased by 19bps in the year to 8.8% of sales, driven by a continued focus on international customer acquisitions, which is supported by the Group's in-house data driven marketing model and demonstrates, THG Ingenuity's ability to direct spend towards the higher return channels.

Staff costs excluding distribution were £85m (2018: £75m), continuing the Group's investment in world class talent to support growth plans. The increase of 13% year on year is significantly lower than the 24% increase in sales year on year, demonstrating our ability to identify and secure talent that once combined with our market leading technology platform, contributes tangible value to the Group.

Depreciation and amortisation

Total depreciation and amortisation costs were £79m (2018: £51m), a reflection of our accelerated investment in growth projects and global infrastructure to fuel our ambition and growth plans over the next 10 years.

The Group invested over £160m in tangible assets during the year (2018: over £50m). This primarily relates to King Street Townhouse Hotel and Great John Street Hotel, both located in the centre of Manchester and acquired as part of Eddie Rockers. This demonstrates the continued investment in the growth of THG Experience, a market leading offering which will elevate our own brands and increase the appeal and service offerings to our global customers. In addition, the Group purchased and developed the 800,000 sq. ft. Poland fulfilment and production centre, which is now the Group's central hub for fulfilment in Europe, in addition to 7 further strategically located warehouses and continuing investment in THG ICON and THQ, which represent the new design studio, which will be the largest in Europe and a new head office in the UK respectively. The Group believes in being agile and flexible to consumer and market trends, and owns £188m of freehold properties at 31 December 2019.

The Group continued to invest in its market leading end-to-end proprietary technology platform during the year to scale up globally and to address the ever-changing social trends of our customers across the world. £37m was invested in the platform, up from £29m in 2018. The net book value of the Ingenuity technology platform is £69m (2018: £55m). The platform is a key differentiator for THG and enables the Group to provide a fully tailored customer specific service, capturing all of their needs. In addition, it results in the Group's IT operating expenditure being minimal by eliminating the need for external licences and expensive third party developers. The THG Tech team delivered over 6,000 deployments in 2019.

The Group has continued to acquire brands and intellectual property to expand its international offering as part of the Group's long- term strategy. During the year, these acquisitions resulted in additional brands and intellectual property of £17m and £0.6m respectively. Further information on the Group's acquisitions during the year can be found in note 10.

Exceptional items

In order to understand the underlying performance of the Group, certain costs included within distribution, administrative and finance costs have been classified as exceptional items. These items principally relate to:

Production and distribution facility

The Group expanded its global fulfilment network in the year, expanding capacity three-fold. The integration and commissioning of the distribution facilities is continuing and costs relating to the integration of the latest facilities are included within exceptional items.

Acquisition, legal and professional costs

Legal and professional costs related to M&A activities are included within exceptional items. Post-acquisition reorganisation and restructuring costs are of a one-off nature.

Refinancing cost

The Group restructured its debt financing in 2019, obtaining a 7 year €600m institutional Term Loan B, a 5 year £150m revolving credit facility and a £197m secured debt and development funding. As part of this process, initial arrangement fees from terminated facilities, have been included within exceptional items. These items are non-cash in nature as they were cash settled over the previous period.

Share-based payments

The business believes that THG colleagues should have the opportunity to participate in the success of the Group. Part of the strategy of attracting, retaining and motivating talent, is an employee share scheme. In total there are 191 participants (2018: 151 participants) in the Group's share schemes. The IFRS 2 'Share-based Payments' charge for the year relating to the equity instruments in issue during the year was £24.7m (2018: £0.6m).

Several employees, who met certain service criteria during the year, were given the opportunity to benefit from the equity instruments they held ahead of the original exercise date. These staff members were paid the fair value of their equity instruments early and as a result their share options were cancelled, or shares were purchased by the Group's EBT (Employee Benefit Trust).

Number of shares/share options in issue 1 January 2019	**477,124**
Number of shares/share options cancelled during the year	(847)
Number of shares/share options granted during the year	112,824
Number of shares/share options in issue 31 December 2019	**589,101**
Number of employees holding shares/share options 31 December 2019	191

Please refer to note 4 for further information on exceptional items.

Finance costs

Finance costs of £25m (2018: £15m), excluding exceptional items, primarily relate to interest and amortisation of arrangement fees on the Group's increased borrowings. This has enabled the Group to move from 3 year rolling facilities to secure over €1bn of fixed and rolling facilities over a 7 year term. This validates the strong belief by management in the future growth of the Group.

Taxation

The Group continues to adapt a transparent and open tax policy ensuring all appropriate taxes are paid in all territories it operates, a detailed tax strategy is presented on its corporate website.

The heart of our business and therefore the bulk of the tax we pay is in the UK. Our technology platform is operated entirely from the UK. Our flagship warehouse, Omega, a 1m sq. ft. facility was opened in Warrington in 2016 and we continue to expand into additional office space at our Cheshire and Manchester bases.

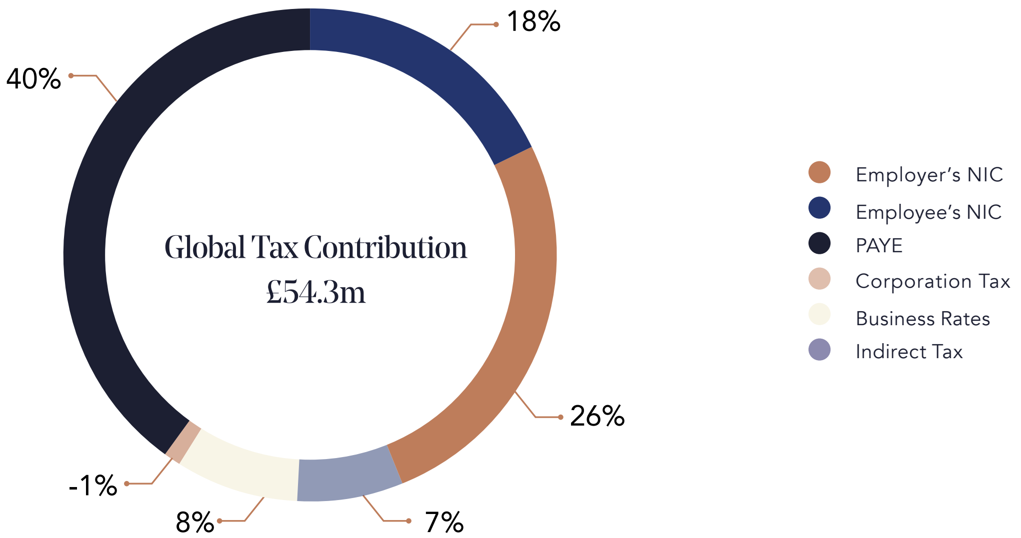
R&D and capital investment is a key part of the groups business model, this allows the Group to benefit from tax incentives designed to encourage innovation and investment in the UK.

UK employment taxes are by far the biggest component of our UK cash tax contribution, making up £40m in 2019 (2018: £39m), split between employment taxes ultimately borne by the Company of £12m (2018: £11m) (i.e. employer's NIC) and taxes attributable to the Company's economic activity and which are collected on behalf of the Government of £28m (2018: £27m) (i.e. PAYE and employees' NIC), giving an average tax per UK employee over £10,000.

The Group has continued to invest heavily in its staff in the last year, with 16% growth in employees and over 1,000 new jobs in the North West of England. The roles created by the Group tend to have higher average salaries than traditional retailers, which naturally increases the employment tax contributions of both the Group and its employees.

From a VAT perspective, although we are in a net refund position in the UK, the UK suppliers we purchase from will pay over the VAT that they collect from us, meaning that we are generating a VAT surplus for HMRC overall from the VAT we collect from end consumers. Additionally, given our export profile, although we reclaimed a net £36m of indirect taxes in the UK in 2019, we collected and paid over £40m in indirect taxes globally.

Business rates are another large cost borne by the business with £4m paid in 2019 (2018: £4m) across the Groups global HQ's and distribution centre. These costs are incorrectly assumed to not be borne by online retailers but in fact this accounted for 1.1% of UK revenue, broadly in line with traditional bricks and mortar retailers in the UK.



Banks

The Group reorganisation allowed an additional £197m of secured debt and development funding to be agreed alongside an institutional €600m Term Loan B (TLB) and £150m Revolving Credit Facility.

The 7-year term of the TLB is a significant increase in maturity versus the previous facilities providing a long-term capital structure with fully aligned financing partners.

Net debt at the end of the year was £469m (2018: £294m). The increase comprises £38m in relation to IFRS 16 adjustments with the remainder driven through investment in the year in excess of £160m of capital investment and £85m of acquisitions.

The B+ public debt rating secured as part of the process and the new access to public debt markets provides an additional, quicker route to further debt capacity as the Group continues to grow and invest. The refinancing has seen the Group diversify from 100% bank debt to a much broader source of debt providers ranging from TLB Institutional Investors, UK and International Corporate and Real Estate banks.

>€1bn

Facilities

2026

Facilities Maturity

8

Bank Syndicate

HSBC Bank Plc
8 Canada Square
Canary Wharf
London
EC14 5HQ

Barclays Bank Plc
1 Churchill Place
London
E14 5HP

Citibank N.A London Branch
33 Canada Square
Canary Wharf
London
L14 5LB

Santander UK Plc
2 Triton Square
Regent's Place
London
NW1 3AN

National Westminster Bank Plc
Westminster Bank Plc
250 Bishopgate
London
EC2M 4AA

JP Morgan Securities Plc
25 Bank Street
London
E14 5JP

mBank S.A.
ul. Senatorska 18,
00-950 Warszawa
Poland

Intesa Sanpaolo S.p.A.
Poland Branch
Książęca 4,
00-498 Warszawa
Poland

Risk Management

Principal risks and uncertainties

THG has an Enterprise Risk Management Framework and Business Continuity Management System (BCMS). We are committed to continually identifying potential threats to our operations and building organisational resilience with the capability of providing effective responses, as well as identifying risk-based opportunities.

Furthermore, throughout 2020, we are committed to achieving ISO certification for both 22301 (Business Continuity) and 27001 (Information Security).

Significant effort is placed on working with suppliers to identify and manage any planned or unplanned disruptions in supply or distribution that may adversely impact on trade. Business Continuity plans have been produced and are tested/validated quarterly. Additionally, the Group has multiple delivery routes and options, and uses over 30 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 Continuity Plans and individual recovery processes are in place and tested quarterly 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 pay, performance-based bonuses and share schemes, which are open to individuals at every level in THG.

Covid-19 has introduced uncertainty into the global market and trading environment in which THG operate. THG has seen an increase in e-commerce activity as a result in 2020 as well as increasing fulfilment costs. The Group is monitoring the impact on sales, costs, operations and people daily through Executive leadership meetings.

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 is supported by a Group Internal Audit function which assists the Board in fulfilling its oversight responsibilities.

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 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 a proportion of the debt using a layered hedging approach via suitable financial instruments, detailed in note 14 to the financial statements.

Governance and s.172 CA 2006 statement

For the financial year ended 31 December 2019, under The Companies (Miscellaneous Reporting) Regulations 2018, the Company has applied the Wates Corporate Governance Principles for Large Private Companies.

Throughout the financial year, the Group's Directors have had regard to their statutory duties, in particular those set out at s.172(1)(a) to (f) of the CA2006 (the "Directors' Obligations"). The Group adopts the Wates Corporate Governance Principles for Large Private Companies, which provide a framework for the Directors to discharge the Directors' Obligations. Directors' decisions are taken with the primary purpose of benefiting its members as a whole.

Principle 1 – Purpose and Leadership

THG's Board sets our purpose and strategy. They are communicated to all of our people through our nimble, transparent, flat structure, including via regular updates through our workforce's one-stop intranet resource, THG Globe.

THG delivers unparalleled e-commerce ecosystems through our unique proprietary technology platform; THG Ingenuity. It offers a fully integrated, single service point for e-commerce websites, which is truly end to end; from customer acquisition through to product delivery. THG Ingenuity powers global leading direct-to-consumer websites and is integral to our offering in the Beauty and Wellness sectors, which includes our globally renowned own brands.

THG's purpose is to deliver long term, sustainable value for all its stakeholders through THG Ingenuity, our Beauty and Wellness brands and our own e-commerce websites whilst ensuring we use our unmatched position to promote responsible and sustainable retailing.

Principle 2 – Board Composition

THG's Board is comprised of six executive Directors and nine non-executive Directors. The Chairman is also the CEO and is the founder of THG. One non-executive Director serves as the Board's Senior Independent Non-Executive Director (NED), operating as a clear point of contact for all Directors and shareholders who wish to engage with or challenge the Board's agenda.

The background and experience of the Board are well-balanced, ensuring effective contributions, decision making and accountability. Executives include talent that has risen through THG's ranks to join our leadership team, providing them with a deep understanding of THG's evolution and operations. Non-executives have experience being senior advisers to, and holding senior positions at, notable businesses of all sizes and stages of growth operating in many sectors, including the media, technology and retail sectors.

The Chairman regularly engages with the Directors. The Chairman sets the Board's agenda with the benefit of insight from the Directors, including the Senior Independent NED, his direct reports and the real-time analytical data provided by THG Ingenuity. Members of THG's leadership team from each of our business divisions attend monthly Board meetings, to ensure Directors are well informed.

All Directors have equal voting rights when making decisions, including the Chairman who does not hold a casting vote. All Directors have access to the advice and services of the Company Secretary.

The duties of the Board are partially executed through committees. The Audit Committee, which is chaired by a non-executive Director with experience as the CEO and CFO of listed businesses, ensures the financial reporting of the group and its annual external audit are completed in a diligent and timely manner. The Remuneration Committee, chaired by the senior independent non-executive Director, oversees the remuneration of Directors and senior management. The Risk Committee meets regularly to monitor strategic and operational risks.

Principle 3 – Director Responsibilities

Each member of the Board understands what they are accountable and responsible for and reports to the Board accordingly at each meeting. The Directors are supported by members of THG's leadership from across THG's divisions, a number of whom attend monthly Board meetings and provide updates to the Board. The Board, whilst ultimately retaining responsibility for final decisions, ensures delegated decision makers are individuals with the most experience and relevant knowledge.

The Board holds a minimum of 8 monthly Board meetings each year, with further meetings convened as required for approval of strategic initiatives, such as acquisitions of businesses. All Directors are required to consider any conflicts or potential conflicts and declare them to the Board.

Principle 4 – Opportunity and Risk

The Board seeks opportunity whilst managing and mitigating risk. Refer to the risk management section on pages 82 to 83 for further details. To ensure THG achieves its purpose, the Board actively pursues opportunities, both reinvestment and development to fuel organic growth and acquiring carefully selected businesses to bolster THG's core operations or expand into complementary sectors. THG's Mergers & Acquisitions team identify acquisition targets and the potential synergies available and, in tandem with THG's legal team, performs comprehensive commercial, financial and legal due diligence which is reported to the Board.

Principle 5 – Remuneration

The Remuneration Committee oversees the remuneration of Directors and senior management. The Committee's objective is to ensure pay is fair, reflects responsibilities and performance and is at a level that will promote retention; all in furtherance of the long term success of THG's goals and ambitious growth plans.

The Remuneration Committee is responsible for constructing and implementing THG's long term incentive plans, ensuring those plans are aligned to THG's purpose and the interests of stakeholders. The committee ensures plan participants clearly understand what is required to be achieved under the plans, thereby furthering THG's long term success. THG has a culture of unbiased meritocracy, a principle to which the Remuneration Committee adheres.

Principle 6 – Stakeholders

THG's Board recognises the importance of engaging with its stakeholders and considering their views in order to achieve our purpose. The Board has in place a structure to ensure its shareholders' views can be expressed.

THG and the environment

Sustainability and the environment have been on the Board's agenda for years, with many initiatives in place to reduce our carbon footprint; some of which were initially proposed to our Board by our people through the open communication channels and flat structure within THG. The environmental effect of those initiatives is reported to the Board regularly. At the beginning of the year we welcomed our first Sustainability Director, who was recruited at the direction of the Board to ensure we implement sustainable and effective practices throughout our business.

THG and business relationships

THG's prides itself on building strong business relationships with suppliers, customers and other external stakeholders. THG ensures the code of conduct is followed when interacting with external stakeholders. THG create a culture which promotes honesty, integrity, transparency, loyalty, respecting others and compliance with laws and regulations.

THG and employees

THG's people are key stakeholders. Their wellbeing and development are key to our continued success. To promote wellbeing, our people have access to an on-site GP, whose services are available free of charge, as well as a physiotherapist and we have invested in training for a number of Mental Health First Aiders; the availability of all are regularly communicated to all our workforce. To harbour development and ensure opportunity is available to our people, we have created the THG Academy which offers bespoke learning modules covering a broad spectrum of skills.

A number of communication channels are in place to encourage our people to share their views, which are regularly publicised by email and on THG Globe. These efforts are aided by the unfettered communication occurring naturally from our flat structure. Additionally, representatives of each of our divisions regularly attend Board meetings to reinforce the transparent and reciprocal relationship between the Board and our people.

Our actions in response to Covid-19 exemplify our ethos in relation to all of our stakeholders, particularly our people and the communities to which we and they are closest. To ensure the health and safety of our people, by early January 2020 preparations were well advanced to implement policies and distribute educational material in response to Covid-19. At the end of January 2020, communications were sent to all of our people; educational updates were sent promoting the NHS and government advice; sensible, proportionate, work related travel policies were implemented; and support clinics were established and their availability well publicised. As the situation evolved, significant time was committed to evaluating how THG could offer support. In March 2020, we brought forward our plans to recruit 500 additional employees, which was originally scheduled for later in the year. Our response planning culminated in our announcing in April 2020 that we would be donating an aid package equivalent to £10m to support vulnerable communities, key workers and the emergency services. Production at our manufacturing facilities was in part transformed to produce hygiene and personal care products which were in short supply, with our other manufacturing lines focused to assist with shortages of vitamins, foods and supplements and rooms at our hotels have been made available to key workers for free.

THG maintenance of high standards of conduct

THG promotes a culture of transparency and accountability. This is enforced by regular reviews from the risk team but also by internal audit reviews throughout the year. Whistleblowing measures are in place across all our sites and departments, with every reported case being followed up appropriately and where necessary a zero-tolerance approach enforced over any breaches.

THG directors and their engagement with stakeholders

Directors utilise a full range of communication channels to engage with stakeholders; these include face to face meetings, forums and events, reports and other written materials, as well as through press activities, targeted digital content and social media.

By order of the Board

James Pochin

J P Pochin
Company Secretary
30 April 2020

Directors' Report

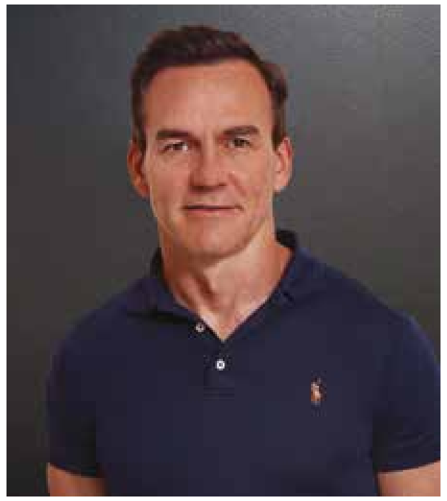
Directors and Directors' interests

The Directors of the Group who were in office during the year from 1 January 2019 and up to the date of signing the financial statements are listed below with the Directors' interests detailed in note 27.

Dividends

No dividends will be distributed for the year ended 31 December 2019 (2018: £nil). The Board returned £7.3m (2018: £22.7m) of equity to minority shareholders in a continued effort to provide ongoing shareholder liquidity.

Executive Directors



M J Moulding

J A Gallemore

R Horsefield

J P Pochin

V Tahmasebi
(appointed on 28 February 2019)

S Whitehead
(appointed on 28 February 2019)

Other Directors in the year:

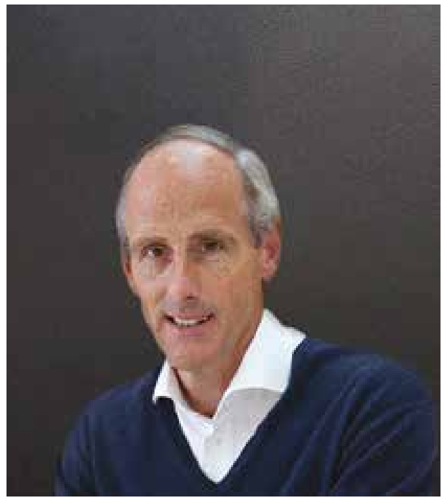
H Campbell (appointed on 20 February 2019)

J Bodell (appointed on 28 January 2020)

Non-Executive Directors

D P Murphy

Z Byng-Thorne

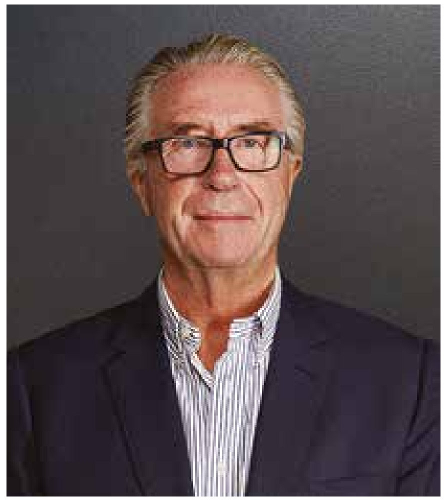


W M Evans

E J Koopman

B Liautaud

I McDonald



A Monro

T R Pirrie-Franks
(appointed on 18 March 2019)

Resigned Directors who served in the year:

N J M Gheysens (resigned on 18 March 2019)

H Campbell (resigned on 1 April 2020)

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 several 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 400 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 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 considered 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

The Company has provided an indemnity for its directors, which is a qualifying third party indemnity provision for the purposes of s.234 of the Companies Act 2006. The indemnity was in place during the financial year and up to the date of approval of the financial statements.

Donations

During the year, the Group made several charitable donations totalling £0.02m (2018: £0.7m). In April 2020, the Group donated the equivalent of £10m to help in the battle against Covid-19.

Statement of Directors' responsibilities

The Directors are responsible for preparing the strategic report, the Directors' report and the consolidated 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 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. Based on 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 themselves 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.

2020 Outlook and post balance sheet events

Trading

The key trading trends in evidence throughout 2019 were expected to continue in 2020, re-affirming management's confidence for the 2020 outlook. However, Covid-19 has introduced uncertainty into the market and impacted THG in Q1 2020. Management remain confident in being able to deliver a strong level of revenue growth in 2020, driven by continued growth in the UK and overseas, as consumers move towards e-commerce offerings, complimented by strategic acquisitions.

The refinancing that occurred in the year has given THG substantial cash reserves available to draw down upon, and management consider THG to be in a strong position to weather any further uncertainty.

The vast majority of the workforce have moved to a remote working model, supported by THG's investment in technology and development.

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.

Covid-19 Pledge

In April 2020, the Group donated the equivalent of £10m to help in the battle against coronavirus, with half of the donation to be spent in Manchester and the other half going to other parts of the UK and overseas.

Equity

In the year the Group raised further equity from both existing and new shareholders, for a total of c £115m of primary funding, demonstrating continued market confidence in THG.

Acquisitions

There have been no acquisitions since the year end.

Independent auditor

Ernst & Young LLP have expressed their willingness to continue in office in accordance with Section 487(2) of the Companies Act 2006. The auditor's registered office is as follows:

Ernst & Young LLP
2 St Peter's Square
Manchester
M2 3EY

J P Pochin
Company Secretary
30 April 2020

Independent auditor's report to the members of The Hut Group Limited for the year ended 31 December 2019

Opinion

We have audited the financial statements of The Hut Group Limited ('the Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2019 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows, the related notes 1 to 29, 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, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the Group's and of the Parent Company's affairs as at 31 December 2019 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 in with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Group and Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report on pages 4 to 87, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or Directors' report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement on page 90, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities.

This description forms part of our auditor's report.

Use of our report

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

Ernst & Young LLP

Jamie Dixon
(Senior statutory auditor)

for and on behalf of Ernst & Young LLP,
Statutory Auditor
Manchester
30 April 2020

Notes:

1. The maintenance and integrity of The Hut Group Limited website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated statement of comprehensive income for year ended 31 December 2019

		2019			2018		
		Before Exceptional Items	Exceptional Items (note 4)	Total	Before Exceptional Items	Exceptional Items (note 4)	Total
	Note	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	2	1,140,260	-	**1,140,260**	915,758	-	915,758
Cost of sales		(629,397)	-	**(629,397)**	(498,279)	-	(498,279)
Gross profit		**510,863**	-	**510,863**	**417,479**	-	**417,479**
Distribution costs		(195,047)	(9,556)	**(204,603)**	(154,926)	(9,545)	(164,471)
Administrative costs		(283,598)	(32,114)	**(315,712)**	(222,585)	(13,809)	(236,394)
Operating profit / (loss)	3	**32,218**	**(41,670)**	**(9,452)**	**39,968**	**(23,354)**	**16,614**
Adjusted EBITDA*		111,458	(16,983)	**94,475**	90,557	(22,733)	**67,824**
Depreciation	12/22	(38,768)	-	**(38,768)**	(19,245)	-	(19,245)
Amortisation	11	(40,472)	-	**(40,472)**	(31,344)	-	(31,344)
Share-based payments	3	-	(24,687)	**(24,687)**	-	(621)	(621)
Operating profit / (loss)		**32,218**	**(41,670)**	**(9,452)**	**39,968**	**(23,354)**	**16,614**
Finance income	8	133	-	**133**	162	-	162
Finance costs	8	(25,086)	(7,951)	**(33,037)**	(15,033)	-	(15,033)
Profit / (loss) before taxation		**7,265**	**(49,621)**	**(42,356)**	**25,097**	**(23,354)**	**1,743**
Income tax (charge) / credit	9	(5,843)	5,172	(671)	(4,161)	3,222	(939)
Profit / (loss) for the financial year		**1,422**	**(44,449)**	**(43,027)**	**20,936**	**(20,132)**	**804**
Other comprehensive (expense) / income:							
Exchange differences on translating foreign operations, net of tax		**(3,564)**	-	(3,564)	**3,423**	-	3,423
Total comprehensive (expense) / income for thefinancial year		**(2,142)**	**(44,449)**	**(46,591)**	**24,359**	**(20,132)**	**4,227**

Adjusted EBITDA is defined as operating profit before depreciation, amortisation and exceptional items.
The results for the year are derived from continuing activities.
The comprehensive income/(expense) is 100% attributable to the owners of the Parent Company.

Consolidated statement of financial position as at 31 December 2019

	Note	2019 £'000	2018 £'000
Non-current assets			
Intangible assets	11	**582,116**	519,839
Property, plant and equipment	12	**352,393**	218,195
Right-of-use assets	22	**37,973**	-
		972,482	738,034
Current assets			
Inventories	13	**202,092**	155,241
Trade and other receivables	15	**131,184**	89,155
Current tax asset		**2,712**	4,017
Other financial assets	14	**2,214**	-
Cash and cash equivalents	16	**312,233**	234,819
		650,435	483,232
Total assets		**1,622,917**	1,221,266
Equity			
Ordinary shares	23	**4,381**	4,020
Share premium		**230,718**	110,446
Employee benefit scheme reserve		**175**	175
Merger reserve		**615**	615
Capital redemption reserve		**523**	523
Retained earnings		**239,199**	269,340
		475,611	385,119
Non-current liabilities			
Borrowings	18	**595,829**	519,763
Lease liabilities	18	**28,678**	723
Deferred tax	21	**10,848**	10,306
		635,355	**530,792**
Current liabilities			
Contract liability	20	**26,635**	28,311
Trade and other payables	17	**322,751**	266,631
Borrowings	18	**147,532**	7,194
Lease liabilities	18	**9,787**	947
Other financial liabilities	14	**3,385**	-
Provisions	19	**1,861**	2,272
		511,951	**305,355**
Total liabilities		**1,147,306**	**836,147**
Total equity and liabilities		**1,622,917**	**1,221,266**

The financial statements on pages 94 to 127 were approved by the Board of Directors on 30 April 2020 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 2019

	Note	Ordinary shares £'000	Share premium £'000	Scheme reserve £'000	Merger reserve £'000	Redemption reserve £'000	FX reserve £'000	Hedging reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2018		**3,746**	**277,380**	**175**	**615**	**518**	**(1,270)**	**-**	**35,807**	**316,971**
Profit for the year		-	-	-	-	-	-	-	804	**804**
Impact of foreign exchange		-	-	-	-	-	3,423	-	-	**3,423**
Issue of ordinary share capital		304	83,066	-	-	-	-	-	-	**83,370**
Share buy-backs		(30)	-	-	-	5	-	-	(23,707)	**(23,732)**
Share-based payments	7	-	-	-	-	-	-	-	621	**621**
Capital reduction		-	(250,000)	-	-	-	-	-	250,000	**-**
Deferred tax effect of share-based payments	21	-	-	-	-	-	-	-	3,662	**3,662**
Balance at 31 December 2018		**4,020**	**110,446**	**175**	**615**	**523**	**2,153**	**-**	**267,187**	**385,119**
Effect of adoption of new accounting standards		-	-	-	-	-	-	-	(769)	**(769)**
Balance at 1 January 2019		**4,020**	**110,446**	**175**	**615**	**523**	**2,153**	**-**	**266,418**	**384,350**
Loss for the year		-	-	-	-	-	-	-	(43,027)	**(43,027)**
Impact of foreign exchange		-	-	-	-	-	(2,393)	-	-	**(2,393)**
Movement on hedging instruments		-	-	-	-	-	-	(1,171)	-	**(1,171)**
Issue of ordinary share capital		361	120,272	-	-	-	-	-	-	**120,633**
Share buy-backs		-	-	-	-	-	-	-	(8,200)	**(8,200)**
Share-based payments	7	-	-	-	-	-	-	-	24,687	**24,687**
Deferred tax effect of share-based payments	21	-	-	-	-	-	-	-	732	**732**
Balance at 31 December 2019		**4,381**	**230,718**	**175**	**615**	**523**	**(240)**	**(1,171)**	**240,610**	**475,611**

Consolidated statement of cash flows for the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Cash flows from operating activities			
Cash generated from operations	25	**71,138**	68,643
Income tax received / (paid)		**1**	(243)
Net cash generated from operating activities before exceptional cash flows		**71,139**	68,400
Cash flows relating to exceptional items		**(16,992)**	(23,358)
Net cash generated from operating activities		**54,147**	45,042
Cash flows from investing activities			
Acquisition of subsidiaries net of cash acquired	10	**(83,738)**	(75,530)
Purchase of property, plant and equipment		**(124,280)**	(37,802)
Purchase of intangible assets		**(55,995)**	(41,527)
Interest received	8	**133**	162
Net cash used in investing activities		**(263,880)**	(154,697)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares net of fees		**115,755**	76,418
Share buy-backs	23	**(8,200)**	(23,732)
Interest paid		**(47,109)**	(15,789)
Repayment of bank borrowings		**(1,245,187)**	(574,086)
Proceeds from bank borrowings		**1,481,390**	697,000
Repayment of lease liabilities		**(9,502)**	(2,066)
		287,147	**157,745**
Net increase in cash and cash equivalents		**77,414**	**48,090**
Cash and cash equivalents at the beginning of the year		**234,819**	186,729
Cash and cash equivalents at the end of the year	16	**312,233**	**234,819**

Notes to the consolidated financial statements

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 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.

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

The accounting policies adopted by the Group in the current year are consistent with those adopted during the year ended 31 December 2018, except for the adoption of new accounting standards in 2019 as set out below.

The Group adopted IFRS16 – Leases on 1 January 2019, using the modified retrospective approach. The details of the impact of this adoption are disclosed further in this note.

There have been other new accounting standards and amendments also effective from 1 January 2019, but they do not have an impact on the Group's financial statements.

Going concern

The Group has prepared the cash flow forecasts for a period of 12 months from the date of the approval of the financial statements. The Group forecasts cash projections taking account of reasonably possible changes in trading performance demonstrating that the Group can operate within the level of its current facilities. Based on the cash flow projections and projected headroom against the available facilities, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Directors are satisfied that it is appropriate to prepare the financial statements of the Company and Group on a going concern basis.

1. 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 2019 and have been applied to 2018 comparatives where applicable.

a. Basis of consolidation

The Group financial statements consolidate those of the Company and all its subsidiary undertakings drawn up to 31 December 2019. Subsidiaries are all entities over which the Group has control. When the end of the reporting period of a subsidiary is not 31 December, the subsidiary prepares, for consolidation purposes, additional financial information as of the same date as the financial statements of the Group.

The Group exercises control through most 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 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 considers the inputs, processes and outputs acquired in accordance with IFRS 3.

c. Revenue

Revenue consists primarily of internet sales, which are sales recorded net of an appropriate deduction for actual and expected returns and sales taxes and are recognised at a point in time when the customer obtains the control. The transaction price is allocated to performance obligations on a relative stand-alone selling price basis.

Revenue for services provided is recognised over time as the services promised are transferred to the customers. The Group uses an input method to measure progress towards complete satisfaction of a performance obligation, because the customers simultaneously receive and consume the benefits provided by the Group and there is a direct relationship between the Group's effort (i.e. labour hours incurred) and the transfer of service to the customers. Fees recognised in respect of memberships are recorded on a straight-line basis over the membership period.

When the Group acts as principal in sale of goods and services, revenue from customers and costs with suppliers are reported on a gross basis. When the Group acts as agent in sale of goods and services, revenue from customer and costs with suppliers are reported on a net basis, representing the net margin earned. Whether the Group is acting as principal or agent depends on management's analysis of both legal form and substance of the agreement between the Group and its business partners. Revenue for internet hosting contracts and domain renewal services are recognised on a straight-line basis over the relevant period. Income which is invoiced in advance is recorded as deferred income on the balance sheet and released to the profit and loss account over the periods in which the services are provided.

d. 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 in exceptional items. 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 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, along with taking account of any equity instruments that may have been cancelled or modified in the period. 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 or growth shares in the Group are issued to employees, the Company issues new shares. Of the proceeds received on exercise or issue of growth shares, an amount equal to the nominal value of the shares issued is credit to the share capital account and an amount equal to the share premium, net of directly attributable transaction costs, is credit to the share premium account. Where an equity-settled award is cancelled (including when a non-vesting condition within the control of the entity or employee is not met), it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the income statement for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the income statement. The Group has an employee benefit trust (EBT) which facilitates an internal market for participants in employee share schemes to sell their shares in the Company. Shares held are recognised at cost as a deduction from shareholding equity. Subsequent consideration received for the sale of such shares is also recognised in equity.

e. 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 income statement. 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, 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.

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

Other internally generated intangible assets are not capitalised and expenditure is reflected in the income statement in the year in which expenditure is incurred.

Intangible assets are amortised on a straight line basis over their estimated useful economic life. Amortisation is included within administrative expenses in the income statement 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.

Where computer software is not an integral part of a related item of computer hardware, the software is treated as an intangible asset. Computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Amortisation is provided on the cost of software and is calculated on a straight-line basis over the useful life of the software.

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
Computer software	1-10 years

f. 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.

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 profit or loss in the period in which it occurs.

Plant and machinery	5-10 years
Fixtures and fittings	3-20 years
Computer equipment and software	1-10 years
Freehold buildings	20-50 years
Motor vehicles	3-7 years
Leasehold improvements	Lower of lease term or asset life

g. Borrowing costs

Borrowing costs incurred in relation to bringing into use both tangible and intangible assets are capitalised as the expenditure is incurred on such assets and subsequently depreciated in line with the useful economic life of the relevant asset.

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

The Group performed analysis for financial instruments under the scope of IFRS 9 'Financial Instruments' and concluded that the assessment of the requirements of IFRS 9 did not have a significant impact to the Group.

Financial assets

Financial assets within the scope of IFRS 9 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. Derivative financial instruments are recognised initially and subsequently at fair value. The gain or loss on re-measurement to fair value is recognised immediately in the income statement. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged. The sale and purchase of derivative financial instruments are non-speculative.

Cash flow hedges

Where a derivative financial instrument is designated as a hedge against the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, any gain or loss on the effective part of the derivative financial instrument is recognised in other comprehensive income and accumulated within the hedging reserve. The gain or loss on any ineffective portion of the hedge is recognised immediately in the income statement. Hedge accounting is discontinued when the hedging instrument no longer meets the criteria for hedge accounting, expires, or is sold, terminated or exercised. The cumulative gain or loss previously recognised in the hedging reserve remains there until the forecast transaction occurs. The cumulative gain or loss in the hedging reserve is transferred to the income statement in the same period that the hedged item affects profit or loss.

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 loss allowance. Group measures the loss allowance at an amount equal to lifetime expected credit losses.

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

Financial liabilities within the scope of IFRS 9 are classified as financial liabilities at amortised cost.
The Group has no financial liabilities at fair value through profit and loss.

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 using 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. Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

k. Leased assets

In the current year, the Group has applied IFRS 16 (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019. Refer to Changes in accounting policies section below for further details.

l. Onerous contracts

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

m. Exceptional items

The Directors apply judgement in assessing the items, which by 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 in this category include share-based payments, certain items which are one-off and not representative of the underlying trading of the Group, including integration costs and the development of warehouse and production facilities.

n. 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, based on 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 financial statements 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.

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.

o. 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.

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 income statement.

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 foreign operation is recognised in profit or loss.

p. Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

q. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, management is required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The most critical accounting judgements or key sources of estimation uncertainty 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 a cash-generating unit is determined based on value-in-use calculations prepared based on management's assumptions and estimates. Refer to note 11 for further details of the value-in-use calculations.

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 between one and five 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.

r. Changes in accounting policies

In the current year, the Group has applied IFRS 16 (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019. IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The impact of the adoption of IFRS 16 on the Group's consolidated financial statements is described below. The date of initial application of IFRS 16 for the Group is 1 January 2019. The Group has applied IFRS 16 using the modified retrospective approach.

Impact of the new definition of a lease

The Group has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those leases entered or changed before 1 January 2019. The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease based on whether the customer has the right to control the use of an identified asset for a period in exchange for consideration. This contrasts with the focus on 'risks and rewards' in IAS 17 and IFRIC 4. The Group applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or changed on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of IFRS 16, the Group has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not significantly change the scope of contracts that meet the definition of a lease for the Group.

Impact on Lessee Accounting

IFRS 16 changes how the Group accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet. Applying IFRS 16, for all leases the Group: a) Recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments in accordance with IFRS 16:C8(b)(ii) b) Recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss; c) Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the consolidated statement of cash flows. Lease incentives (e.g. rent-free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses on a straight-line basis. For short-term leases (lease term of 12 months or less) and leases of low-value assets (which includes tablets and personal computers, small items of office furniture and telephones), the Group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within 'other expenses' in profit or loss.

The Group has used the following practical expedients when applying the cumulative catch-up approach to leases previously classified as operating leases under IAS 17.

- The Group has applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- The Group has adjusted the right-of-use asset at the date of initial application by the amount of provision for onerous leases recognised under IAS 37 in the statement of financial position immediately before the date of initial application as an alternative to performing an impairment review.
- The Group has elected not to recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application.
- The Group has used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

The impact of adopting IFRS 16 on the consolidated statement of comprehensive income and the consolidated statement of financial position, respectively, is as follows:

The following tables show the adjustments recognised for only the line items that were affected by the changes. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided.

Consolidated income statement	2019 As reported	Effect of change due to IFRS 16	2019 Without adoption
	Total £'000	£'000	Total £'000
Revenue	1,140,260	-	1,140,260
Cost of sales	(629,397)	(2,089)	(631,486)
Gross profit / (loss)	**510,863**	**(2,089)**	**508,774**
Distribution costs	(195,047)	(992)	(196,039)
Administrative costs	(283,598)	3,827	(279,771)
Operating profit	**32,218**	**746**	**32,964**
Adjusted EBITDA	**111,458**	(7,662)	**103,796**
Depreciation	**(38,768)**	8,408	(30,360)
Amortisation	**(40,472)**	-	(40,472)
Operating profit	**32,218**	**746**	**32,964**
Finance income	133	-	133
Finance costs	(25,086)	1,102	(23,984)
Profit before taxation	**7,265**	**1,848**	**9,113**
Income tax charge	(5,843)	(9)	(5,852)
Profit for the financial year	**1,422**	**1,839**	**3,261**

Consolidated statement of financial position	2019 As reported	Effect of change due to IFRS 16	2019 Without adoption
	£'000	£'000	£'000
Property plant and equipment	**352,393**	705	**353,098**
Intangible asset	**582,116**	655	**582,771**
Right-of-use asset	**37,973**	(37,973)	**-**
Total assets	**1,622,917**	**(36,613)**	**1,586,304**
Deferred tax liability	**10,848**	34	**10,882**
Lease liabilities	**38,465**	(37,770)	**695**
Total liabilities	**1,147,306**	**(37,736)**	**1,109,570**
Retained earnings	239,199	1,123	240,322
Equity	**475,611**	**1,123**	**476,734**

2. Revenue

Below is an analysis of revenue by region:

	2019	2018
	£'000	£'000
UK	**398,735**	307,891
Europe	**277,687**	240,676
Rest of the world	**463,838**	367,191
	1,140,260	**915,758**

Rendering of services represents 9% of total revenue (2018: 7%). Revenue that is not within the scope of IFRS 15 'Revenue from Contracts with Customers' represents 4% of total revenue (2018: 5%).

3. Operating profit/(loss)

	Note	2019 £'000	2018 £'000
Operating (loss) / profit has been arrived at after charging / (crediting):			
Employee costs	6	**187,422**	158,363
Share-based payments	7	**24,687**	621
Depreciation on fixed assets	12	**29,996**	19,245
Depreciation on right-of-use assets*	22	**8,772**	-
Amortisation	11	**40,472**	31,344
Government grants		**(1,125)**	(1,072)
Net foreign exchange gain		**(269)**	(143)

The IFRS 2 'Share-based Payments' charge for the year relating to the shares and share options is £24.7m (2018: £0.6m) based on the best available estimate of the number of equity instruments expected to vest.

*Depreciation on right of use assets recognised with respect to leased assets was £8.8m (2018: £nil).

4. Exceptional items

Underlying profit is shown before exceptional items on the face of the income statement. Exceptional items are items which are material and non-recurring in nature and include costs relating to acquisitions, disposal and significant business restructuring programmes some of which span multiple years. This is consistent with the way that financial performance is measured by management and reported to the Board and assists in providing a meaningful analysis of the trading results of the Group. These items are presented separately to improve comparability of the Group's underlying profitability with peer companies.

	2019 £'000	2018 £'000
Production and distribution facility	**9,556**	9,545
Acquisition, legal and professional costs	**7,427**	13,188
Share-based payments	**24,687**	621
Refinancing costs	**7,951**	-
	49,621	**23,354**
Tax effect	**(5,172)**	(3,222)
	44,449	**20,132**

4. Exceptional items (continued)

Production and distribution facility

The Group expanded its global fulfilment network in year, with a significant investment in Poland (Wroclaw) which was purchased in 2019. The integration and commissioning of the distribution facility is continuing and costs relating to the integration of the facilities continue to be included within exceptional items.

Acquisition, legal and professional costs

Legal, financial and taxation due diligence costs related to M&A activities in the year are included within exceptional items. Post-acquisition reorganisation and restructuring costs are associated with dual site and technology decollation costs, redundancies, onerous lease costs and other costs of a one-off nature including store closures.

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 in exceptional items. Please see note 7 for further details.

Refinancing cost

The Group restructured its debt financing in 2019, obtaining a €600m institutional Term Loan B, £150m revolving credit facility and a £197m secured debt and development funding. As part of this process, initial arrangement fees from terminated facilities, have been included within exceptional items. These items are non-cash in nature as they were cash settled over previous period.

5. Auditors remuneration

	2019 £'000	2018 £'000
Audit of the Company and consolidated financial statements	**195**	115
Other services:		
Audit of the Company's subsidiaries	**270**	145
Other assurance services	**35**	-
Corporate finance services	**146**	217
	646	**477**

6. Employee costs and Directors' remuneration

	Note	2019 £'000	2018 £'000
Wages and salaries		**145,604**	141,896
Social security costs		**14,865**	14,438
Pension costs		**2,266**	1,408
Share-based payments	7	**24,687**	621
		187,422	**158,363**

The aggregate amount of employee costs included above that have been capitalised within platform development costs was £28.4m (2018: £24.1m).

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

	2019 £'000	2018 £'000
Directors' emoluments	**2,127**	1,475
Highest paid director	**546**	588

Details of the Directors' share-based payments are included in note 27.
No retirement benefits are accruing to any of the Directors at 31 December 2019 (2018: nil).

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

	2019 Number	2018 Number
Retail	**1,501**	1,320
Administration	**864**	727
Distribution	**2,007**	1,710
Information technology	**554**	482
	4,926	4,239

7. Share-based payments

The Group operates share-based compensation plans over the years, under which the Group receives services from employees as consideration for equity instruments (options or growth shares) of the Company. At each balance sheet date, the Group revises its estimate of the number of options and shares expected to vest upon the satisfied completion of the specific vesting conditions and the vesting period.

The fair value of the employee services received in exchange for the grant of the equity instruments is recognised as an expense in exceptional items. The equity instruments granted during the year are related to the Long-term Incentive Plan (LTIP) that was introduced during 2018.

A reconciliation of equity instrument movements, and weighted average exercise price ("WAEP") over the year is shown below:

	Number 2019	WAEP 2019 £	Number 2018	WAEP 2018 £
Outstanding at 1 January	**477,124**	**18.14**	344,964	5.29
Granted	**112,824**	**43.25**	160,568	43.25
Cancelled	**(847)**	**3.75**	(28,408)	4.01
Outstanding at 31 December	**589,101**	**22.97**	**477,124**	**18.14**

The lowest exercise/subscription price of equity instruments outstanding at the end of the period was £1.00 (2018: £1.00) and the highest was £43.25 (2018: £43.25).

8. Finance income and cost

	2019 £'000	2018 £'000
Finance income		
Bank interest receivable	**133**	162
Finance costs		
Bank interest payable and charges	**23,943**	14,996
Interest on lease liabilities	**1,143**	37
	25,086	15,033

9. Income tax

	Note	2019 £'000	2018 £'000
Current tax			
Tax charge for the year		**2,355**	933
Adjustments in respect of prior year		**133**	(434)
		2,488	**499**
Deferred tax			
Origination and reversal of temporary differences		**(2,567)**	322
Adjustments in respect of prior year		**507**	370
Change in tax rates		**243**	(252)
	21	**(1,817)**	**440**
Total income tax charge		**671**	**939**

The effective tax rate was 1.6% and is explained below:

	2019 £'000	2018 £'000
(Loss)/profit before tax	**(42,356)**	1,743
(Loss)/profit before tax at 19%	**(8,048)**	331
Tax effects of:		
Adjustments in respect of prior year	**640**	(64)
Non-qualifying depreciation	**691**	620
Share based payment charge	**4,691**	-
Expenses not deductible / non-taxable income	**1,847**	2,057
Effect of higher tax rates in other jurisdictions	**607**	216
Recognition of previously unrecognised losses/ unrecognised in year	**-**	(2,094)
Effect of change in tax rate	**243**	(127)
	671	**939**

The standard rate of Corporation Tax in the UK is 19%. The effective tax rate is lower mainly due to non-deductible share based payment costs, non-qualifying depreciation, disallowable acquisition costs, other non-deductible items in the UK, prior year adjustments (mostly in the UK and US) and overseas tax rates.

All deferred tax balances as at 31 December 2019 have been calculated at 17% (2018: 17%), being the enacted rate applicable at this date. A change was announced after the balance sheet date, whereby the enacted rate of 17% was deferred and as such we expect the enacted rate as at 31 December 2020 of 19% to be applied to the deferred tax assets and liabilities recognised at this time.

Regarding US tax, the US corporate tax rate is 21% (from 1 January 2019). This rate has been used to calculate any deferred tax.

10. Business combinations

Details of these acquisitions are as follows:

Business	Country of incorporation	Nature of activity	Date of acquisition	Consideration (£'000)	Percentage ownership
Christophe Robin	France	Designing and commercialising hair care products	30 April 2019	44,693	100%
Eddie Rockers Limited	England and Wales	Hotels	1 May 2019	39,894	100%

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

	Christophe Robin £'000	Eddie Rockers Limited £'000	Total £'000
Property, plant and equipment	348	12,211	**12,559**
Inventories	3,387	-	**3,387**
Trade and other receivables	3,893	4,927	**8,820**
Cash and cash equivalents	273	576	**849**
Trade and other payables	(5,778)	(8,452)	**(14,230)**
Deferred tax	-	(55)	**(55)**
Total carrying amount	**2,123**	**9,207**	**11,330**

The following intangible assets were recognised at acquisition:

	Christophe Robin £'000	Eddie Rockers Limited £'000	Total £'000
Intangible assets - brands	17,358	-	**17,358**
Intangible assets - customer lists	632	-	**632**
Deferred tax	(3,072)	-	**(3,072)**
Total carrying amount	**14,918**	**-**	**14,918**

10. Business combinations (continued)

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

	Note	Christophe Robin £'000	Eddie Rockers Limited £'000	Total £'000
Intangible assets	11	17,990	-	**17,990**
Property, plant and equipment		43	41,627	**41,670**
Inventories		1,755	-	**1,755**
Trade and other receivables		2,359	6,073	**8,432**
Cash and cash equivalents		273	576	**849**
Trade and other payables		(4,642)	(8,328)	**(12,970)**
Deferred tax	21	(3,072)	(54)	**(3,126)**
Net assets acquired		**14,706**	**39,894**	**54,600**
Goodwill	11	**29,987**	**-**	**29,987**
Purchase consideration		**44,693**	**39,894**	**84,587**

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:

	Christophe Robin £'000	Eddie Rockers Limited £'000	Total £'000
Purchase consideration	44,693	39,894	**84,587**
Cash and cash equivalents acquired	(273)	(576)	**(849)**
Total carrying amount	**44,420**	**39,318**	**83,738**

From the dates of acquisition to 31 December 2019 the newly acquired companies contributed £11.9m and £2.2m, respectively, to Group revenues and profit before tax.

If the acquisitions had occurred on 1 January 2019, the Group's revenue and loss before tax for the year would have been £1,145m and £42m respectively.

During 2019, the Group has concluded on the fair value of the net assets in respect of acquisitions completed in 2018, resulting in a decrease of £0.8m in net assets and a corresponding increase in goodwill.

11. Intangible assets

	Goodwill £'000	Platform development costs £'000	Intellectual property £'000	Brands £'000	Total £'000
Cost or valuation					
At 1 January 2018	**321,599**	**80,256**	**39,833**	**53,255**	**494,943**
Transfers	-	3,329	(267)	-	**3,062**
Additions	4,970	29,052	12,475	-	**46,497**
Business combinations	28,306	-	8,331	29,519	**66,156**
Currency translation differences	2,206	(1,122)	1,697	1,088	**3,869**
Disposals	-	-	(90)	-	**(90)**
At 31 December 2018	**357,081**	**111,515**	**61,979**	**83,862**	**614,437**
At 1 January 2019	357,081	111,515	61,979	83,862	614,437
Transfers	-	158	(73)	-	85
Additions	792	36,966	19,029	-	56,787
Business combinations (note 10)	29,987	-	632	17,358	47,977
Currency translation differences	(1,317)	(499)	(115)	(807)	(2,738)
Disposals	-	-	(1)	-	(1)
At 31 December 2019	**386,543**	**148,140**	**81,451**	**100,413**	**716,547**
Accumulated amortisation					
At 1 January 2018	270	39,065	17,188	3,729	60,252
Transfers	-	1,318	(5)	-	1,313
Amortisation (note 3)	-	16,415	11,680	3,249	31,344
Currency translation differences	-	23	1,160	535	1,718
Disposals	-	-	(29)	-	(29)
At 31 December 2018	**270**	**56,821**	**29,994**	**7,513**	**94,598**
At 1 January 2019	270	56,821	29,994	7,513	94,598
Amortisation (note 3)	-	22,558	13,357	4,557	40,472
Currency translation differences	-	(510)	(17)	(112)	(639)
At 31 December 2019	**270**	**78,869**	**43,334**	**11,958**	**134,431**
NBV					
At 1 January 2018	321,329	41,191	22,645	49,526	434,691
At 31 December 2018	356,811	54,694	31,985	76,349	519,839
At 31 December 2019	**386,273**	**69,271**	**38,117**	**88,455**	**582,116**

11. Intangible assets (continued)

Impairment tests for goodwill and other intangible assets

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 considers 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 3-10 years (2018: 3-10 years) and pre-tax cash flows projected forward assuming a perpetual growth rate of 2% (2018: 2%). The discount rate applied to the cash flow projections was 6.1% on a post-tax basis (2018: 9.1%). The average per-annum growth rate applied to the initial period ranged from 2% to 25% dependent on the maturity of the CGU (2018: 2% to 25%) 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:

	2019		2018	
	Goodwill £'000	Brands £'000	Goodwill £'000	Brands £'000
Sports Nutrition	**52,123**	**5,527**	52,208	5,527
Beauty Retail	**36,360**	**-**	36,738	-
Diet				
Exante	**1,406**	**-**	1,406	-
Ideal Shape	**26,990**	**-**	27,677	-
Beauty Brands				
Mio	**2,131**	**-**	2,229	-
GLOSSYBOX	**25,929**	**-**	25,287	-
ESPA	**82,680**	**-**	82,680	-
Illamasqua	**16,323**	**-**	16,275	-
Eyeko	**13,583**	**-**	13,369	-
A&A	**7,593**	**-**	7,593	-
Christophe Robin	**29,619**		-	
Ingenuity		**-**		-
Hangar Seven	**8,211**	**-**	8,211	-
UK2	**42,053**	**-**	42,053	-
Language Connect	**7,531**	**-**	7,344	-
Other Retail				
Iwantoneofthose	**1,965**	**-**	1,965	-
The Hut	**2,568**	**-**	2,568	-
ProBikeKit	**8,475**	**-**	8,475	-
PIAB / MGB	**42**	**-**	42	-
Other				
Preloved	**4,267**	**-**	4,267	-
Hale CC	**16,424**	**-**	16,424	-
	386,273	**5,527**	**356,811**	**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 and brands with indefinite lives to be less than the carrying value. A 10% reduction in the discounted cash flows 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 2018	**2,033**	**71,279**	**40,500**	**25,484**	**78,824**	**218,120**
Transfers	-	(9,534)	1,227	8,752	(178)	**267**
Additions	41	12,213	16,369	8,741	438	**37,802**
Business combinations	150	2,702	193	68	9,722	**12,835**
Currency translation differences	-	1,415	687	138	61	**2,301**
Disposals	(175)	(358)	(374)	(219)	-	**(1,126)**
At 31 December 2018	**2,049**	**77,717**	**58,602**	**42,964**	**88,867**	**270,199**
At 1 January 2019	**2,049**	**77,717**	**58,602**	**42,964**	**88,867**	**270,199**
Transfers	-	(2,191)	-	(795)	-	**(2,986)**
Additions	139	6,304	27,681	25,198	64,959	**124,281**
Business combinations	-	-	3,397	104	42,408	**45,909**
Currency translation differences	-	(983)	(258)	(144)	104	**(1,281)**
Disposals	(23)	(99)	(46)	(58)	(253)	**(479)**
At 31 December 2019	**2,165**	**80,748**	**89,376**	**67,269**	**196,085**	**435,643**
Accumulated depreciation						
At 1 January 2018	**616**	**10,791**	**6,635**	**11,730**	**2,141**	**31,913**
Transfers	-	(281)	318	44	(76)	**5**
Depreciation (note 3)	274	7,537	5,771	4,612	1,051	**19,245**
Currency translation differences	-	1,040	67	78	4	**1,189**
Disposals	(90)	(72)	(130)	(56)	-	**(348)**
At 31 December 2018	**800**	**19,015**	**12,661**	**16,408**	**3,120**	**52,004**
At 1 January 2019	**800**	**19,015**	**12,661**	**16,408**	**3,120**	**52,004**
Transfers	-	(1,207)	-	(534)	-	**(1,741)**
Depreciation (note 3)	308	12,589	7,379	7,399	2,321	**29,996**
Business combinations	-	-	2,157	82	2,000	**4,239**
Currency translation differences	-	(605)	(73)	(74)	(77)	**(829)**
Disposals	(23)	(99)	(31)	(13)	(253)	**(419)**
At 31 December 2019	**1,085**	**29,693**	**22,093**	**23,268**	**7,111**	**83,250**
NBV						
At 1 January 2018	1,417	60,488	33,865	13,754	76,683	186,207
At 31 December 2018	1,249	58,702	45,941	26,556	85,747	218,195
At 31 December 2019	**1,080**	**51,055**	**67,283**	**44,001**	**188,974**	**352,393**

13. Inventories

	2019	2018
	£'000	£'000
Goods held for resale	**197,082**	144,477
Goods in transit	**5,010**	10,764
	202,092	**155,241**

Goods in transit are in relation to the adoption of IFRS 15 and related with goods whose control is still to be transferred to the customers as of the reporting date.

The cost of inventories recognised as an expense and included in cost of sales amounted to £629m (2018: £498m).

14. Financial assets and liabilities

	Note	2019	2018
		£'000	£'000
Assets as per balance sheet – loans and receivables			
Trade and other receivables excluding prepayments	15	**65,683**	51,161
Hedging instruments		**2,214**	-
Cash and cash equivalents	16	**312,233**	234,819
		380,130	**285,980**
Liabilities as per balance sheet - other financial liabilities at amortised cost			
Bank borrowings	18	**743,361**	526,957
Finance leases	22	**38,465**	1,670
Hedging instruments		**3,385**	-
Trade and other payables excluding non-financial liabilities	17	**322,751**	266,631
		1,107,962	**795,258**
Derivative financial instruments designated as hedging instruments			
FX forwards		**(2,721)**	-
Interest rate swaps		**(663)**	-
Cash flow hedges		**2,213**	-
		(1,171)	-

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 and 22.

The derivative financial instruments designated as hedging instruments have been recognised at Fair Value Through Other Comprehensive Income. Hedging instruments used are measured based on observable inputs and have been classified at Level 2 hierarchy level in line with IFRS 13 Fair value measurement.

14. Financial assets and liabilities (continued)

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

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

Foreign currency risk

The Group trades internationally and is exposed to exchange rate risk on purchases and sales, primarily in Euros and US dollars. The Group's results are presented in sterling and are thus exposed to exchange rate risk on translation of foreign currency assets and liabilities.

The Groups approach to managing foreign exchange risk is to designate cash flow hedges across a combination of forwards, swap agreements, and spot transactions. Fair value is calculated using forward interest rate points to restate the hedge to fair market value.

The Group is also exposed to EUR:GBP exchange rate risk on a €600m loan within the group, and mitigate this risk through the use of hedging instruments such as FX forward contracts.

As at 31 December 2019, the group held €600m notional of forward contracts expiring in December 2022.

Interest rate risk

The Group is exposed to EURIBOR and LIBOR through its loan facilities and has entered into a series of interest rate swap agreements to mitigate this risk. As of 31 December 2019, the Group held EUR 600m expiring December 2022 through to December 2026, and £85m expiring December 2024.

The Group's financial risks are detailed on page 82 and 83 in this Annual Report.

15. Trade and other receivables

	2019	2018
	£'000	£'000
Trade receivables	**50,168**	37,146
Less loss allowance	**(1,539)**	(926)
	48,629	36,220
Prepayments and accrued income	**46,190**	31,508
Other taxation and social security	**19,311**	6,486
Other receivables	**17,054**	14,941
	131,184	**89,155**

Trade and other receivables are principally denominated in sterling.

At 31 December 2019 the ageing of trade receivables was as follows:

	2019	2018
	£'000	£'000
Not due	**29,502**	20,222
0 to 3 months overdue	**20,191**	15,557
3 to 6 months overdue	**475**	665
Over 6 months overdue	**-**	702
	50,168	**37,146**

15. Trade and other receivables (continued)

The movement in the loss allowance of trade receivables was as follows:

	£'000
At 1 January 2019	926
Released	(1,080)
Business combinations	285
Charge for the year	1,408
At 31 December 2019	**1,539**

16. Cash and cash equivalents

	2019	2018
	£'000	£'000
Cash and cash equivalents	**312,233**	234,819

17. Trade and other payables

	2019	2018
	£'000	£'000
Trade creditors	**162,490**	153,262
Accruals and deferred income	**142,235**	99,307
Other taxation and social security	**16,632**	6,184
Other creditors	**1,394**	7,878
	322,751	**266,631**

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. Interest-bearing loans and borrowings

		2019	2018
	Note	£'000	£'000
Current			
Bank borrowings		**147,532**	7,194
Lease liabilities	22	**9,787**	947
		157,319	**8,141**
Non-current			
Bank borrowings		**595,829**	519,763
Lease liabilities	22	**28,678**	723
		624,507	**520,486**

18. Interest-bearing loans and borrowings (continued)

Bank borrowings relate predominantly to the 7-year Euro term loan B and 5-year revolving credit facility. The revolving credit facility is provided by Barclays, HSBC, Santander, Citibank, NatWest & JPM. The term loan B carried an interest rate of 4.50% plus EURIBOR and the revolving credit facility 3.75% plus LIBOR. In 2018 the senior facility bank borrowings carried an interest rate of 2.15% plus LIBOR and 3.75% plus LIBOR on the acquisition facility bank borrowings. All obligor companies registered in England and Wales under the term loan B facility have granted a debenture to Barclays Bank plc (as security agent).

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 £4.9m (2018: £3.1m) lower/higher as a result of the higher/lower interest expense which would have been payable.

Lease liabilities are measured at the present value of lease payments to be made over the lease term.

The contractual maturity of bank borrowings is as follows:

	2019	2018
	£'000	£'000
Within one year	**147,532**	7,194
Between two and five years	**106,945**	519,763
More than five years	**488,884**	-
	743,361	**526,957**

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

	Onerous leases £'000	Customer loyalty points £'000	Dilapidations £'000	Other provisions £'000	Total £'000
At 1 January 2019	342	860	963	107	**2,272**
Utilisation	(301)	-	-	-	**(301)**
Released	(41)	(1)	-	(68)	**(110)**
At 31 December 2019	**-**	**859**	**963**	**39**	**1,861**

The onerous lease provisions relate to vacant leasehold properties mainly acquired as part of acquisitions.

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

Dilapidation provisions relate to properties mainly acquired as part of acquisitions.

Other provisions are primarily related to guarantees given.

20. Contract liabilities

	2019	2018
	£'000	£'000
Contract liabilities	**26,635**	**28,311**

Contract liabilities are the consideration received from the customers for sales where the Group still has an obligation to transfer goods or services. 100% of the transaction price allocated to the unsatisfied contracts as at 31 December 2019 are recognised as revenue in the next reporting period.

21. Deferred tax

The deferred tax balance comprises:

	2019	2018
	£'000	£'000
Short term timing differences	**(5,886)**	(6,770)
Accelerated capital allowances	**106**	1,995
Business combinations	**20,144**	17,060
Tax losses	**(3,482)**	(2,349)
Other balance sheet amounts	**(34)**	370
	10,848	**10,306**

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

	Note	£'000
At 1 January 2019		10,306
Business combinations	10	3,126
Recognised in the income statement	9	(1,817)
Recognised in equity		(732)
Other		(35)
At 31 December 2019		**10,848**

The Group has unrecognised deferred tax assets relating to losses of £5.8m (2018: £5.7m), which have not been recognised due to the unpredictability of when these assets will be realised.

22. Leases

Set out below are the carrying amounts of the right-of-use assets recognised and associated lease liabilities (included under interest-bearing loans and borrowings) together with their movements during the period:

	Motor vehicles £'000	Plant and machinery £'000	Computer equipment and software £'000	Land and buildings £'000	Total £'000
Right-of-use assets:					
Transition Impact	**143**	**1,014**	**56**	**22,669**	**23,882**
Initial Impact	497	167	-	22,199	**22,863**
Amortisation and depreciation (note 3)	(103)	(336)	(40)	(8,293)	**(8,772)**
Closing balance	**537**	**845**	**16**	**36,575**	**37,973**
Lease liabilities:					
Transition Impact	**147**	**904**	**331**	**23,438**	**24,820**
Initial Impact	497	167	0	21,849	**22,513**
Lease Payment	(116)	(322)	(276)	(9,189)	**(9,903)**
Interest Cost	22	39	5	1,077	**1,143**
Translation	(12)	(9)	(1)	(86)	**(108)**
Closing Balance	**538**	**779**	**59**	**37,089**	**38,465**

The maturity analysis of lease liabilities is:

Current lease liabilities	176	266	59	9,286	**9,787**
Non-current lease liabilities	362	513	-	27,803	**28,678**

The the weighted average incremental borrowing rate applied to lease liabilities recognised in the statement of financial position at the date of initial application was 3.8%.

The following are the amounts recognised in the year in the consolidated income statement:

	£'000
Unrecognised rental expense from cost of sales	(2,089)
Unrecognised rental expense from administrative costs	(4,221)
Unrecognised rental expense from distribution costs	(992)
Unrecognised rental expense from exceptional items	(1,359)
Depreciation expense on right-of-use assets	8,408
Interest expense on lease liabilities	1,102
	849

23. Share capital and reserves

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

	2019	2018
	Number	Number
Class		
A ordinary	**457,095**	459,169
B ordinary	**3,469,271**	3,203,437
C ordinary	**7,719**	3,789
D ordinary	**438,087**	458,920
E ordinary	**273,667**	160,568
Deferred shares	**33,515**	33,515
£1 nominal value ordinary shares*	**4,679,354**	**4,319,398**

*included with this number is 612,513 partly-paid shares (2018: 511,567).

During the year the Group issued 112,824 partly-paid E ordinary shares pursuant to its 2017-19 Long-Term Incentive Plan.

A ordinary shares and B ordinary shares

The holders of 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 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").

C ordinary shares

The holders of C ordinary shares are not entitled to receive dividends. The shares do not carry any voting rights and are non-redeemable. On a return of capital, the holders of such shares are entitled to receive Net Proceeds.

D ordinary shares

The holders of D ordinary shares are not entitled to receive dividends. The shares do not carry any voting rights and are non-redeemable. On a return of capital, the holders of such shares are not entitled to receive Net Proceeds unless a hurdle is achieved.

E ordinary shares

The holders of E ordinary shares are not entitled to receive dividends. The shares do not carry any voting rights and are non-redeemable. On a return of capital, the holders of such shares are not entitled to receive Net Proceeds unless a hurdle is achieved.

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.

23. 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. Between 17 and 20 May 2019, 111,110 B ordinary shares were issued at a nominal value of £1 per share for cash consideration of £49,999,500. On 5 December 2019, 131,817 B ordinary shares were issued at a nominal value of £1 per share for cash consideration of £65,908,500. The Employee Benefit Trust (EBT) facilitates an internal market for participants in employee share schemes to sell their shares in the Company. During the financial year, the EBT purchased a total of 928 shares for aggregate consideration of £0.35m which is deducted from retained earnings.

24. 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 £2.3m (2018: £1.4m). There were no outstanding contributions due to the fund at the year end.

25. Cash flow generated from operations

		2019	2018
	Note	£'000	£'000
(Loss) / profit before taxation		**(42,356)**	**1,743**
Adjustments for :			
Depreciation	12/22	**38,768**	19,245
Amortisation	11	**40,472**	31,344
Share-based payments	7	**24,687**	621
Exceptional items	4	**24,934**	22,733
Net finance costs	8	**24,953**	14,871
Operating cash flow before exceptional items and before movements in working capital and provisions		**111,458**	**90,557**
Increase in inventories		**(45,097)**	(49,962)
Increase in trade and other receivables		**(22,272)**	(16,449)
Increase in trade and other payables		**30,576**	42,907
(Decrease) / increase in provisions		**(411)**	1,447
Cash flows relating to hedging instruments		**(3,385)**	-
Foreign exchange gain		**269**	143
Cash generated from operations before exceptional cash flows		**71,138**	**68,643**

26. Ultimate parent company

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

27. Related party transactions

The Directors of the Company who were in office during the year from 1 January 2019 and up to the date of signing the financial statements are:

Executive Directors:

M J Moulding	R Horsefield
J A Gallemore	V Tahmasebi (appointed on 28 February 2019)
J P Pochin	S Whitehead (appointed on 28 February 2019)

Non-Executive Directors:

D P Murphy	E J Koopman
J Bodell (appointed on 28 January 2020)	B Liautaud
Z Byng-Thorne	I McDonald
H Campbell (appointed on 20 February 2019)	A Monro
W M Evans	T R Pirrie-Franks (appointed on 18 March 2019)

Resigned Directors who served in the year:

N J M Gheysens (resigned on 18 March 2019)	H Campbell (resigned on 1 April 2020)

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

	Ordinary shares 2019 Number	Ordinary shares 2018 Number
M J Moulding	**548,169**	548,169
J A Gallemore	**22,227**	22,227
D P Murphy	**47,118**	47,118
I McDonald	**17,300**	17,300
A Monro	**11,577**	11,577
R Horsefield	**975**	975
J P Pochin	**6,879**	6,879
Z Byng-Thorne	**750**	750
S Whitehead	**17,478**	-
	672,473	**654,995**

The Directors had the following interests in shares under incentive arrangements at the balance sheet date.

	Date of award	Subscription/exercise price £	2019 Number	2018 Number
M J Moulding	Oct-10	7.5	**14,545**	14,545
M J Moulding	Nov-13	5	**87,920**	87,920
M J Moulding	Mar-18	43.25	**138,796**	138,796
M J Moulding	Dec-19	43.25	**95,000**	-
J A Gallemore	Oct-10	7.5	**14,545**	14,545
J A Gallemore	Nov-13	5	**10,962**	10,962
J A Gallemore	Dec-19	43.25	**1,000**	-
A Monroe	Nov-13	5	**35,168**	35,168
R Pennycook	Nov-13	5	**35,168**	35,168
J P Pochin	Oct-10	7.5	**9,800**	9,800
J P Pochin	Dec-19	43.25	**1,000**	-
R Horsefield	Nov-13	1	**1,171**	1,171
R Horsefield	Apr-18	43.25	**5,500**	5,500
R Horsefield	Dec-18	43.25	**1,833**	1,833
D P Murphy	Dec-19	43.25	**2,000**	-
I McDonald	Dec-19	43.25	**1,000**	-
Z Byng-Thorne	Dec-19	43.25	**1,000**	-
V Tahmasebi	Dec-18	43.25	**917**	917
V Tahmasebi	Oct-19	43.25	**917**	-
S Whitehead	Oct-10	7.5	**13,333**	13,333
S Whitehead	Dec-19	43.25	**1,000**	-
			472,575	**369,658**

The Group has provided interest free loans of £0.8m (2018: £0.8m) to the Directors 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 £22.4m (2018: £4.6m).

At 31 December 2019, Matthew Moulding controlled 25.7% of THG's fully diluted share capital. This comprised shares held outright and under incentive arrangements. The controlled management equity represents less than 5.4% of THG's fully diluted share capital.

28. Post balance sheet events

For details on events after the balance sheet date see the Directors' report on page 91. Covid-19 has introduced uncertainty into the market and is deemed to be a non adjusting post balance sheet event. Management have assessed the impact to date and remain confident in being able to deliver a strong level of revenue growth in 2020. Considerations as part of this assessment were as follows:

- Stress test scenarios involving: dramatic sales decline; rise in absenteeism; warehouse closures; increase in fulfilment costs; change in consumer behaviours; and fluctuations in other market factors; and
- If required: reduction in capital investment spend; reduction in overheads; consolidation of warehouses; deferral of tax payments with agreement from relevant authorities; and benefiting from government support initiatives.

29. Subsidiary undertakings

At the balance sheet date the following subsidiaries were controlled by the Group (a company incorporated in England and Wales):

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
Kingsmead HoldCo Limited**	Guernsey	Holding company
Allenby Square Limited**	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.Ltd**	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
Myvitaminss Limited**	England and Wales	Dormant
HQ Hair Limited**	Guernsey	Holding company
Cend International Limited**	England and Wales	Online retailing
THGPP LLC**	USA	Dormant
THG International LLC**	USA	Warehouse and distribution
Mama Mio Limited**	England and Wales	Online retailing
Mama Mio Distribution Limited**	England and Wales	Dormant
Mama Mio US Inc.**	USA	Online retailing
THG Omega Limited**	Guernsey	Property holding company
Hale Country Club Limited**	England and Wales	Retail and leisure company
Aghoco 1442 Limited**	England and Wales	Property holding company
Gadbrook Limited**	England and Wales	Dormant
THG International Limited**	England and Wales	Dormant
The Hut Group International (Shanghai) Co Limited**	China	License holding company
PC Beauty Inc.**	USA	Holding company
Ideal Shape LLC**	USA	Marketing company
Performance Supplements LLC**	USA	Marketing company
Inteladerm LLC**	USA	Online retailing
Salu Australia PTY Limited**	Australia	Holding company
Skincarestore Australia PTY Limited**	Australia	Online retailing
Salu Beauty Inc.**	USA	Online retailing
UK2 Limited**	England and Wales	Webhosting
Another.com Limited**	England and Wales	Webhosting
Virtual Internet Holdings Limited**	England and Wales	Holding company
Hosting Services Inc.**	USA	Webhosting
UK2 Ukraine LLC**	Ukraine	Webhosting
Virtual Internet (UK) Limited**	England and Wales	Webhosting
The Hut.com (Poland) sp. z.o.o.**	Poland	Warehouse and distribution
THG Wroclaw sp. z.o.o**	Poland	Warehouse and distribution
RY.com.au Pty Limited**	Australia	Online retailing
Hangar Seven Limited**	England and Wales	Visual content producer
Media Ark Limited**	England and Wales	Visual content producer
H7P Portugal Unipessoal LDA**	Portugal	Visual content producer

Subsidiary	Country of incorporation	Nature of business
Illamasqua (Holdings) Limited**	England and Wales	Holding company
Illamasqua Limited**	England and Wales	Online retailing
Beauty Box Beteiligungen GmbH**	Germany	Holding company
Beauty Trend Holding GmbH** & Beauty Trend GmbH**	Germany	Online retailing
Jade 1150. GmbH**	Germany	Holding company
Beauty Trend S.A.S France**	France	Online retailing
GlossyBox Sweden Holding UG**	Germany	Holding company
GlossyBox Sweden AB**	Sweden	Online retailing
GlossyBox United Kingdom Holding GmbH**	Germany	Holding company
Beauty Trend UK Limited**	England and Wales	Online retailing
VRB GmbH & Co. B-149 KG**	Germany	Holding company
Beauty Trend USA Inc.**	USA	Online retailing
El Spa Holdings (UK) Limited**	England and Wales	Holding company
ESPA International (UK) Limited**	England and Wales	Online retailing
Primavera Aromatherapy Limited**	England and Wales	Manufacturing
ESPA International (US) Inc.**	USA	Online retailing
ESPA International FZE**	UAE	Online retailing
Make Money Limited**	England and Wales	Holding company
M Beauty Limited**	England and Wales	Online retailing
Language Connect International Ltd**	England and Wales	Translation and interpretation
Language Connect, Inc.**	USA	Translation and interpretation
Language Connect Singapore Pte. Limited**	Singapore	Translation and interpretation
Acheson & Acheson Limited**	England and Wales	Manufacturing
1010 Products Limited**	England and Wales	Dormant
Ameliorate Skincare Limited**	England and Wales	Dormant
Eddie Rockers Limited**	England and Wales	Holding company
Great John Street Hotel Limited**	England and Wales	Hotel operator
King Street Investments Limited**	England and Wales	Hotel operator
THG Trustee Limited**	England and Wales	Trustee of EBT
THG MP, Inc. **	USA	Dormant
Myprotein Japan K.K. **	Japan	Online retailing
Colorist Christophe Robin S.A.S. **	France	Online retailing
Colorist Christophe Robin US, Inc. **	USA	Online retailing
THG Icon S.a.r.L.**	Luxembourg	Property holding company
THG Intermediate OpCo Limited**	England and Wales	Holding company
THG Operations Holdings Limited**	England and Wales	Holding company
THG Property Holdings Limited**	England and Wales	Holding company
THG Property Intermediate Holdings Limited**	England and Wales	Holding company
THG Property Hotel & Leisure MidCo Limited**	England and Wales	Holding company
THG Property Office & Industrial MidCo Limited**	England and Wales	Holding company
THG Property Hotel & Leisure Holdings Limited**	England and Wales	Holding company
THG Property Office & Industrial MidCo Limited**	England and Wales	Holding company
THG KS PropCo Limited** & THG PV PropCo Limited**	England and Wales	Property Holding Company
THG GJS PropCo Limited** & THG HCC PropCo Limited**	England and Wales	Property Holding Company
THG Omega PropCo Limited** & THG A&A PropCo Limited**	England and Wales	Property Holding Company
THG Gadbrook PropCo Limited**	England and Wales	Property Holding Company

* - 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 The Hut Management Company Limited which gives it the right to control the appointment of Board Directors.

Majority of the Group's subsidiaries are registered at the following address:
5th Floor, Voyager House, Chicago Avenue, Manchester Airport, Manchester, England M90 3DQ

Company Only Financial Statements

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Company balance sheet as at 31 December 2019

	Note	2019 £'000	2018 £'000
Fixed assets			
Investments	4	**88,044**	85,778
		88,044	**85,778**
Current assets			
Debtors	5	**295,790**	732,454
Cash		**23,930**	30,014
		319,720	**762,468**
Creditors: amounts falling due within one year	6	**(1,612)**	**(11,073)**
Net current assets		**318,108**	**751,395**
Total assets less current liabilities		**406,152**	**837,173**
Creditors: amounts falling due after one year	7	**-**	**(519,763)**
Net assets		**406,152**	**317,410**
Capital and reserves			
Called up share capital		**4,381**	4,020
Share premium		**230,718**	110,446
Merger reserve		**615**	615
Capital redemption reserve		**523**	523
Retained earnings		**169,915**	201,806
Total shareholders' funds		**406,152**	**317,410**

The financial statements on pages 129 to 135 were approved by the Board of Directors on 30 April 2020 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 2019

	Ordinary shares £'000	Share premium £'000	Merger reserve £'000	Capital Redemption Reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2019	**4,020**	**110,446**	**615**	**523**	**201,806**	**317,410**
Loss for the year	-	-	-	-	(48,379)	**(48,379)**
Issue of ordinary share capital	361	120,272	-	-	-	**120,633**
Share buy-backs	-	-	-	-	(8,200)	**(8,200)**
Share-based payments	-	-	-	-	22,422	**22,422**
Capital contribution	-	-	-	-	2,266	**2,266**
Balance at 31 December 2019	**4,381**	**230,718**	**615**	**523**	**169,915**	**406,152**

Notes to the company financial statements

1. Accounting Policies

The principal 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 current and preceding year.

a. Basis of preparation

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 loss for the financial year in the financial statements of the Company is £48.4m (2018: £25.2m profit).

In accordance with FRS101, 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 as adopted by the EU.

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. 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.

d. Financial liabilities and equity

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

e. 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 investments in subsidiaries are adjusted to reflect this capital contribution.

f. 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 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 in exceptional items. The total amount to be expensed is determined by reference to the fair value of the equity instruments granted.

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 the specified vesting conditions are to be satisfied.

At the end of each reporting period, the entity 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.

When the equity instruments are exercised or growth shares in THG are issued to employees, the Company issues new shares. Of the proceeds received on exercise or issue of growth shares, an amount equal to the nominal value of the shares issued is credit to the share capital account and an amount equal to the share premium, net of directly attributable transaction costs, is credit to the share premium account.

The grant by the Company of 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.

The Group has an employee benefit trust (EBT) which facilitates an internal market for participants in employee share schemes to sell their shares in the Company. Shares held are recognised at cost as a deduction from shareholding equity. Subsequent consideration received for the sale of such shares is also recognised in equity.

g. Critical accounting judgements and key sources of estimation uncertainty

Share-based payments

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

2. Employee costs and numbers

	2019	2018
	£'000	£'000
Wages and salaries	**1,843**	1,439
Social security costs	**251**	193
Share-based payments	**22,422**	4,613
	24,516	**6,245**

The average number of employees during the year was 6 (2018: 4).

3. Auditor remuneration

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.

	2019	2018
	£'000	£'000
At 1 January 2019	**85,778**	89,770
Capital contribution	**2,266**	(3,992)
At 31 December 2019	**88,044**	**85,778**

5. Debtors

	2019	2018
	£'000	£'000
Amounts owed by group undertakings	**278,291**	719,910
Unpaid share capital	**11,985**	6,952
Corporation tax asset	**5,400**	154
Other taxation and social security	**114**	46
Prepayments and accrued income	**-**	5,392
	295,790	**732,454**

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

6. Creditors: amounts falling due within one year

	2019	2018
	£'000	£'000
Trade creditors	**486**	123
Bank borrowings	**-**	7,140
Accruals and deferred income	**1,126**	3,810
	1,612	**11,073**

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

7. Creditors: Amounts falling due after one year

	2019	2018
	£'000	£'000
Bank borrowings	**-**	519,763

The Group refinanced its borrowings in 2019 and the new finance arrangements are no longer held by the Parent Company. Refer to note 18 of the Group financial statements for details of the bank borrowings.

8. Share capital and reserves

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

	2019 Number	2018 Number
Class		
A ordinary	**457,095**	459,169
B ordinary	**3,469,271**	3,203,437
C ordinary	**7,719**	3,789
D ordinary	**438,087**	458,920
E ordinary	**273,667**	160,568
Deferred shares	**33,515**	33,515
£1 nominal value ordinary shares*	**4,679,354**	**4,319,398**

*Included with this number is 612,513 partly-paid shares (2018: 511,567).

During the year the Group issued 112,824 partly-paid E ordinary shares pursuant to its 2017-19 Long-Term Incentive Plan.

A ordinary shares and B ordinary shares

The holders of 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 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").

C ordinary shares

The holders of C ordinary shares are not entitled to receive dividends. The shares do not carry any voting rights and are non-redeemable. On a return of capital, the holders of such shares are entitled to receive Net Proceeds.

D ordinary shares

The holders of D ordinary shares are not entitled to receive dividends. The shares do not carry any voting rights and are non-redeemable. On a return of capital, the holders of such shares are not entitled to receive Net Proceeds unless a hurdle is achieved.

E ordinary shares

The holders of E ordinary shares are not entitled to receive dividends. The shares do not carry any voting rights and are non-redeemable. On a return of capital, the holders of such shares are not entitled to receive Net Proceeds unless a hurdle is achieved.

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.

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-backs can be found in note 23 of the Group financial statements.

9. Post balance sheet events

Disclosure on post balance sheet events is in note 28 of the Group financial statements on page 125.