Registered Number 06539496

THEHUTGROUP™

ATTENTION TO RETAIL

The Hut Group Limited

Annual report and financial statements for the year ended 31 December 2013

THEHUTGROUP™
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Annual report and financial statements for the year ended 31 December 2013

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Directors and advisors

Directors
M J Moulding
J A Gallemore
A Monro
I McDonald
W M Evans
P J Gedman
R Pennycook
C R Lewis

Company secretary
J P Pochin

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ATTENTION TO RETAIL

Strategic report for the year ended 31 December 2013

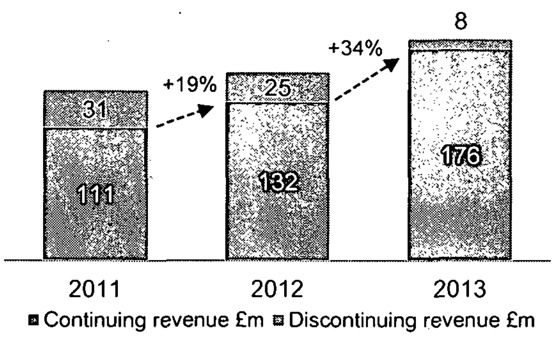
The Directors present their strategic report for The Hut Group Limited ("the Company") and its subsidiaries (together "the Group") for the year ended 31 December 2013.

Highlights

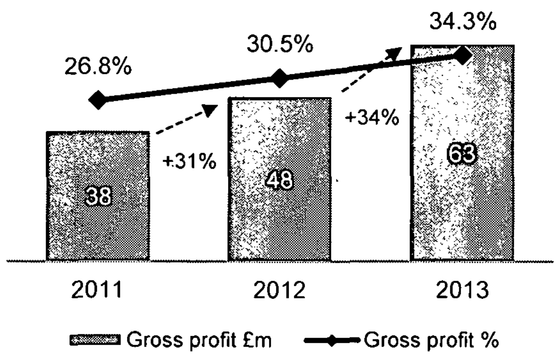
2013 represented another year of record revenue and earnings for the Group, with underlying sales and EBITDA growing by 34% and 48% respectively to £176m and £15.0m. The Group continued to invest significantly in both the proprietary IT and consumer insight platform and in the employee base, with talent drawn from leading UK and international organisations and universities. Finally, the Group continued to undertake selective acquisitions to augment the organic growth model. Highlights for the year were:

- continuing* revenues increased by 34%;
- gross profit increased by 34% with gross margin up 12% year on year;
- adjusted EBITDA** increased by 48% year on year and ahead of continuing revenue growth;
- operating cash flow before exceptional items was 147% of adjusted EBITDA;
- 35% of revenues were to international customers compared to 27% in 2012; and
- 35% of revenues were derived from the Group's own brands (up from 23% in 2012).
- Revenue CAGR of 53% and EBITDA CAGR of 92% for the period 2008 to 2013

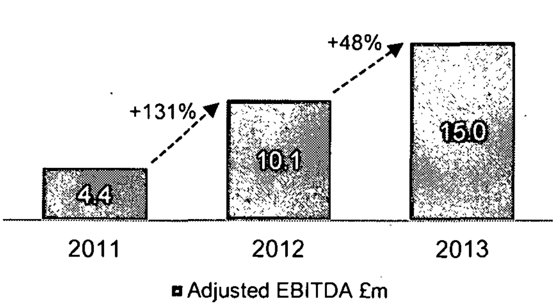
Revenue



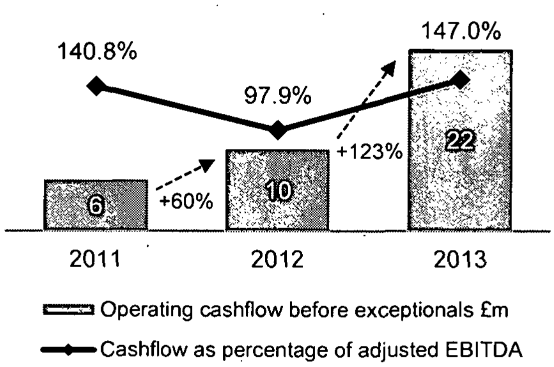
Gross profit



Adjusted EBITDA



Cashflow



* refer to page 5 for the definition of continuing revenues
** adjusted EBITDA is operating profit before depreciation, amortisation, share-based payments and exceptional items.

Strategic report for the year ended 31 December 2013 (continued)

Principal activities

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

Since June 2011, the Group has operated a Technology Services division, focused on the provision of business to business software and ecommerce platform services with media and brand partners.

Business model

The Group's multi-category, multi-website model is an evolution to the traditional single site business model, enabling the Group to showcase both its own brands and third party brands in bespoke retail environments, as required both by the brands and informed consumers.

Central to the business model is the Group's proprietary technology and consumer insight platform, which comprises four key elements:

- **Agile development**: new code releases occur two to four times per week, enabling functionality innovations to drive trading growth, including international revenue growth with the roll-out of local language and currency sites.
- **The presentational layer**: optimised site functionality and customer experience, is key to drive improved conversion and repeat purchasing;
- **Data analytics**: the capture and analysis of customer browsing and transactional data allows the Group to design highly personalised e-mail marketing and to optimise website content;
- **Single data set, business wide**: management reporting is drawn from a single data view with real-time access to all business functions. Automated intra-day and specific management information reports are essential to maintaining the Group's performance trading disciplines.

The key features of the Group's product ranges are:

- high repeat purchase items enabling the Group to accumulate and leverage customer data;
- non-perishable;
- one person delivery through third party courier networks (enabling the Group to penetrate international markets);
- very low level of customer returned products; and
- enduring barriers to entry, either through own brands or relationships that have been developed with brand partners.

The majority of products are shipped from the Group's distribution base in Cheshire.

Acquisitions

In January 2013 the Group acquired Bike Kit Limited ("PBK"). PBK operates the ProBikeKit.com website, specialising in cycling accessories. The acquisition has widened the Group's international revenue mix coupled with attractive cross-selling opportunities, in particular for the Group's sports nutrition, recovery and vitamins own brand products.

In April 2013 the Group acquired Exante Diet Limited ("Exante"). Exante is the largest total meal replacement website in the UK, giving the Group access to the established weight loss market which is increasingly migrating online and which is in part responsible for the high growth rates being achieved. All products have been developed internally in conjunction with some of the UK's leading food technologists.

Strategic report for the year ended 31 December 2013 (continued)

Acquisitions (continued)

The Group enhanced its third party prestige brand portfolio through the acquisition of the intellectual property for the award winning fashion retailer Coggles.com ("Coggles"). Coggles is a prestige fashion website winning, amongst other awards, the Drapers Best Boutique and Best Independent Etailer awards. Coggles has given the Group access to brands including Paul Smith, Marc Jacobs and Vivienne Westwood.

The Group acquired the intellectual property of a German sports nutrition company in order to support the growing internationalisation of its product categories.

All acquisitions were integrated onto the Group's IT, distribution and back office platform within three months of acquisition, demonstrating the platform's capability to rapidly integrate new websites within the centralised model. The platform's flexibility enables the Group to efficiently integrate and quickly realise acquisition synergies.

Awards

The Hut Group won the 2014 Sunday Times sponsored Profit Track Award, recognising private companies in the UK with the highest profit growth rates over the period 2008 to 2013. Consequently, the Hut Group has been recognised as consistently having the fastest growing profits in the UK over the past several years.

MyBag.com, launched by the Group in 2010, received the 2013 Drapers Footwear and Accessories Etailer of the Year Award.

Trading performance

Revenue

Continuing revenues grew strongly during the year with a 34% increase from £132m to £176m. Continuing revenue is defined as total revenue less legacy white label and market place sales where the Group does not own the customer relationship and which have largely been discontinued.

Shipping product to 177 countries, international sales grew by 57% and represented 35% of total revenues in 2013, increasing to 46% post year end. The Group operated 19 foreign language websites in 2013, transacting in 8 languages and 10 currencies supported by 10 payment providers.

The Group's returns rate from customers' remains below 1%.

The following key performance indicators support the revenue growth:

	2013	2012	% change
Number of visits - million	127	99	+28%
Number of orders - million	4.6	3.7	+24%
Average order value (inc VAT) - £	43.85	39.04	+12%

Gross profit

The gross profit percentage for the Group increased from 30.5% in 2012 to 34.3% in 2013. This was largely driven by growth in own brand products (MyProtein, Exante, MyVitamins) and Technology Services. Own brand products now represent 35% of total revenue compared to 23% in 2012.

Strategic report for the year ended 31 December 2013 (continued)

Trading performance (continued)

Warehousing and distribution

The warehousing service from the distribution hub in the north west of England delivered significant year-on-year reductions in cost as a percentage of revenue, with capacity increasing to 370,000 sq. ft.

Total fulfilment cost, including property, people and packaging remains below 5% of revenues.

The Group substantially improved its delivery experience through significant investment in product packaging and enhancements to the courier network both in the UK and internationally. All customers continue to benefit from free delivery options.

In the UK, the cut off for next day delivery was extended to 8pm and a 15 minute delivery slot was introduced on these orders. Internationally, an express service to Western Europe has been deployed with a dedicated service offering guaranteed 48 hours service to certain markets.

Distribution costs during the year as a percentage of revenues increased in line with management expectations as a result of the increased international revenue mix.

Administrative costs

Marketing costs

The Group's focus remains the attraction and acquisition of new customers coupled with increased frequency and value of repeat orders through analysis of consumer demand data.

1.7 billion multi-lingual and multi-brand newsletters were sent to subscribed users.

Technology

The Group continually enhances the technology and data platform to provide customers with highly relevant and personalised experiences to increase conversion, frequency of purchase and average order value.

The Group's proprietary technology platform is highly agile, enabling 660 separate code deployments during the year, thereby continually enhancing all aspects of the platform. Example deployments include: new search and personalisation engines; device and country agnostic content; up to 8 languages, 10 currencies and 10 different payment mechanisms.

Additionally, the data platform has now evolved such that the Group has substantial variants on automated communications to match marketing messages to specific customer behaviours.

The effectiveness of the data platform and the consumer insights generated is demonstrated by the following key metrics:

- low marketing costs at 5% of revenues;
- minimal product returns from customers at less than 1% of revenues; and
- matching consumer demand with stock purchases to generate a high stock turn at 7.6 times in 2013.

Administrative costs increased during the year by £4.7m to £28.7m. The increase was largely due to higher marketing costs attributable to the revenue growth. Marketing costs as a percentage of revenue remain low at 5% (2012 4%) due to the data-driven analysis that the platform is able to provide.

Strategic report for the year ended 31 December 2013 (continued)

Trading performance (continued)

Administrative costs (continued)

People and talent

The Group has focussed on recruiting both the best available digital and consumer insight talent from leading international organisations and universities and multi-lingual trading talent to help internationalise the business.

The Group has a strategy of hiring analytically biased graduate talent from the Russell Group and Oxbridge universities in support of both its proprietary data and technology platform and highly efficient data driven retailing model. To this end, the Group has hired 97 graduates since January 2013 with 35 from Oxbridge and 62 from Russell Group members, with over 150 staff now in data and technology functions which represents over 50% of total head office workforce.

In addition to data skills, 10% of the office based headcount are now multi-lingual.

Exceptional items

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

Exceptional items in 2012 totalling £4.1m, largely related to the integration of the MyProtein and Lookfantastic businesses. The majority of the £3.6m incurred during 2013 was due to the PBK and Exante acquisitions.

Share-based payments

Part of the strategy of attracting, retaining and motivating the talent described above, is a share option scheme. In total there are 94 participants in the scheme. The non-cash share-based payments charge for the year was £0.5m (2012 £0.3m).

Finance costs

Finance costs primarily relate to interest on the Group's loan facilities with Barclays. The reduction in costs from £1.4m to £1.0m is due to both strong operating cashflow and improved interest rates negotiated during the period.

Strategic report for the year ended 31 December 2013 (continued)

2014 Outlook and post balance sheet events

Trading

Trading in 2014 has been in line with expectations with significant continued revenue and earnings growth and strong cash generation. The trading performance has been broad based across all categories, brands and territories, with a continued expansion in the international and own brand revenue mix.

Acquisitions

In January 2014 the Group acquired Active Nutrition International OY ("ANI"). Finland based ANI operates the Mass.Fi website selling the Mass sports nutrition and it provides a market leading platform for the Group's sports nutrition and supplements brands to penetrate the Scandinavian market. In 2012 Mass was awarded *Best Overall Sports Drink* and *Best Recovery Drink* by the Kuortane (Finland) Sports Institute.

In March 2014, the Group acquired Moo Limited which operates Preloved.co.uk ("Preloved"). Preloved connects buyers and sellers across a diverse range of lifestyle goods and services and controls a UK market leading position in the Pets category. Other categories include Property and Accommodation, Motoring, Clothing and Home and Garden. Preloved has over 1.9 million active registered users and generates more than 120 million visits per annum which are predominantly generated via direct and organic channels rather than through acquisition. The acquisition is a compelling opportunity to combine Preloved's loyal visitors with the Group's data analytics capabilities. Key areas of focus include upgrading the site's functionality and providing a personalised experience, whilst generating increased visits assisted by drawing from the Group's 8 million customer database.

Banking

Despite holding significant positive net cash balances at year end, The Group increased its banking facilities with Barclays (post year end) to £36m to give substantial capacity to undertake any future strategic initiatives.

Share buy back

During January and February 2014, the Group completed a share buyback of 207,636 shares funded from existing cash and banking resources. Simultaneously, the Group issued 32,768 new shares to existing shareholders subscribing at the buyback share price.

Strategic report for the year ended 31 December 2013 (continued)

Principal risks and uncertainties

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

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

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

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

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

Financial risk management objectives and policies

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

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

Commercial and general risk

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

Strategic report for the year ended 31 December 2013 (continued)

Financial risk management

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

Credit risk

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

Liquidity risk

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

Currency risk

The Group receives an increasing proportion of its revenue in foreign currency. In addition certain key suppliers invoice in euros and US dollars. The Group aims to naturally hedge these transactions and where appropriate uses financial instruments in the form of forward foreign exchange contracts to hedge future forward currency cash flows. It was noted that the fair value of forward exchange contracts outstanding at the balance sheet date is not material to the financial statements.

Interest rate risk

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

By order of the Board

James Pod

J P Pochin
Company secretary
21 May 2014

Directors' report for the year ended 31 December 2013

The Directors present their report with the audited consolidated financial statements of The Hut Group Limited and its subsidiaries for the year ended 31 December 2013.

Dividends

No dividends will be distributed for the year ended 31 December 2013 (2012: £nil).

Research and development

The Group's e-commerce and technology services divisions are powered by its proprietary technology platform. In addition to providing end-to-end e-commerce functionality, the platform provides the Group with a number of important competitive advantages. Specifically, the commercial teams review real time transactional and customer insight data which informs trading decisions, which are then executed within short time frames. Accordingly, investment into the technology platform in terms of people and capital expenditure to promote innovation is a priority for the Group, in order to remain competitive. The Group has over 120 full time staff dedicated to the continual enhancement of the platform.

Employees

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

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

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests. Communication with all employees continues through the in-house newspaper and newsletters, briefing groups and the distribution of the annual report.

Directors' qualifying third party and pension indemnity provisions

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

Directors

The Directors of the Group who were in office during the year from 1 January 2013 and up to the date of signing the financial statements are detailed in note 26.

All Directors who are eligible offer themselves for election at the forthcoming Annual General Meeting.

Directors' report for the year ended 31 December 2013 (continued)

Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic Report and Directors' Report and the Group and the 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable ;
- state whether IFRSs as adopted by the European Union and applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Group and Company financial statements respectively; 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 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 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 15 months from the date of the approval of the financial statements. On the basis of the cash flow projections and projected headroom against the available facilities, the Directors are satisfied that it is appropriate to prepare the financial statements of the Company and Group on a going concern basis.

Statement of disclosure of information to auditors

For all persons who are Directors at the time of approval of the annual report:

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

Financial risk management and outlook

Information in respect of financial risk management and outlook for the Group has been disclosed within the strategic report.

Directors' report for the year ended 31 December 2013 (continued)

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

By order of the Board

James Pochin

J P Pochin
Company secretary
21 May 2014

Independent auditors' report to the members of The Hut Group Limited for the year ended 31 December 2013

We have audited the group financial statements of The Hut Group Limited for the year ended 31 December 2013 which comprise the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of cash flows, the consolidated statement of changes in equity and the related notes 1 to 28. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page12, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- the group financial statements give a true and fair view of the state of the group's affairs as at 31 December 2013 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; and
- the group financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the group financial statements are prepared is consistent with the group financial statements.

Independent auditors' report to the members of The Hut Group Limited for the year ended 31 December 2013 (continued)

Matters on which we are required to report by exception

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

- 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.

Other matter

We have reported separately on the parent company financial statements of The Hut Group Limited for the year ended 31 December 2013.

Alastair John Richard Nuttall (Senior statutory auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
Manchester
21 May 2014

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

Consolidated statement of comprehensive income for the year ended 31 December 2013

	Note	2013 £'000	2012 £'000
Revenue	2	**184,310**	157,187
Cost of sales		**(121,092)**	(109,215)
Gross profit		**63,218**	**47,972**
Distribution costs		**(29,527)**	(22,243)
Administrative costs		**(28,702)**	(24,008)
Operating profit	3	**4,989**	**1,721**

	Note	2013 £'000	2012 £'000
Adjusted EBITDA*		**15,037**	**10,145**
Depreciation	3	**(1,400)**	(1,311)
Amortisation	11	**(4,522)**	(2,721)
Operating profit before exceptional items and share-based payments		**9,115**	**6,113**
Share-based payments	7	**(509)**	(253)
Exceptional items	4	**(3,617)**	(4,139)
Operating profit		**4,989**	**1,721**

	Note	2013 £'000	2012 £'000
Finance income	8	**29**	16
Finance costs	8	**(1,048)**	(1,429)
Profit before taxation		**3,970**	**308**
Income tax credit / (charge)	9	**1,582**	(246)
Profit and total comprehensive income for the financial year	22	**5,552**	**62**

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

The results for the year are derived from continuing activities.

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

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Consolidated balance sheet as at 31 December 2013

	Note	2013 £'000	2012 £'000
Non-current assets			
Intangible assets	11	**97,333**	83,488
Property, plant and equipment	12	**5,436**	4,441
		102,769	**87,929**
Current assets			
Inventories	13	**20,020**	17,632
Trade and other receivables	15	**4,854**	8,075
Current tax asset		**-**	412
Cash and cash equivalents	16	**24,000**	20,029
		48,874	**46,148**
Total assets		**151,643**	**134,077**
Equity			
Ordinary shares	22	**3,055**	3,055
Share premium	22	**87,383**	87,459
Employee benefit scheme reserve	22	**175**	-
Merger reserve	22	**615**	615
Retained earnings deficit	22	**(13,633)**	(19,694)
		77,595	**71,435**
Non-current liabilities			
Borrowings	18	**12,326**	12,961
Provisions	19	**-**	753
Deferred tax	20	**599**	2,475
		12,925	**16,189**
Current liabilities			
Trade and other payables	17	**49,170**	40,267
Current tax liability		**149**	-
Borrowings	18	**11,509**	5,779
Provisions	19	**295**	407
		61,123	**46,453**
Total liabilities		**74,048**	**62,642**
Total equity and liabilities		**151,643**	**134,077**

The financial statements on pages 16 to 50 were approved by the board of Directors on 21 May 2014 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 2013

	Note	Ordinary shares £'000	Share premium £'000	Employee benefit scheme reserve £'000	Merger reserve £'000	Retained earnings deficit £'000	Total Equity £'000
Balance at 1 January 2012		**2,726**	**74,280**	**-**	**615**	**(20,009)**	**57,612**
Profit and total comprehensive income for the year		-	-	-	-	62	62
Issue of ordinary share capital		329	13,179	-	-	-	13,508
Share-based payments		-	-	-	-	253	253
Balance at 31 December 2012		**3,055**	**87,459**	**-**	**615**	**(19,694)**	**71,435**
Balance at 1 January 2013		**3,055**	**87,459**	**-**	**615**	**(19,694)**	**71,435**
Profit and total comprehensive income for the year	22	-	-	-	-	5,552	5,552
Issue of ordinary share capital	22	-	(76)	175	-	-	99
Share-based payments	7	-	-	-	-	509	509
Balance at 31 December 2013		**3,055**	**87,383**	**175**	**615**	**(13,633)**	**77,595**

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Consolidated statement of cash flows for the year ended 31 December 2013

	Note	2013 £'000	2012 £'000
Cash flows from operating activities			
Cash generated from operations	24	**22,313**	9,240
Income tax (paid) / received		**(209)**	694
Net cash generated from operating activities before exceptional cash flows		**22,104**	**9,934**
Cash flows relating to exceptional items		**(4,068)**	**(4,139)**
Net cash generated from operating activities		**18,036**	**5,795**
Cash flows from investing activities			
Acquisition of subsidiaries net of cash acquired	10	**(10,460)**	-
Purchase of property, plant and equipment		**(2,309)**	(1,053)
Purchase of intangible assets		**(6,362)**	(4,647)
Interest received		**29**	16
Net cash used in investing activities		**(19,102)**	**(5,684)**
Cash flows from financing activities			
Proceeds from issuance of ordinary shares net of fees		**1,044**	10,767
Interest paid		**(850)**	(1,425)
Repayment of bank borrowings		**(4,751)**	(2,329)
Proceeds from bank borrowings net of fees		**10,023**	-
Capital element of finance lease payments		**(429)**	(413)
		5,037	**6,600**
Net increase in cash and cash equivalents		**3,971**	**6,711**
Cash and cash equivalents at the beginning of the year		**20,029**	13,318
Cash and cash equivalents at the end of the year	16	**24,000**	**20,029**

Notes to the financial statements for the year ended 31 December 2013

1. Accounting policies

Basis of preparation

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

New and amended standards and interpretations

The following new and amended IFRS and IFRIC interpretations as of 1 January 2013 did not have any impact on the accounting policies, financial position or performance of the Group:

IFRS 7	Financial instruments: Disclosures – offsetting financial assets and financial liabilities (Amendments)
IFRS 13	Fair value measurement
IAS 36	Recoverable amount disclosures for non-financial assets (Amendments)
Annual improvements to IFRSs 2009-2011 Cycle	

New standards and interpretations not applied

IASB and IFRIC have issued the following standards and interpretations with an effective date after the date of these financial statements.

International Accounting Standards (IAS/IFRS)		Effective date
IFRS 9*	Financial Instruments	1 January 2018
IFRS 10	Consolidated Financial Statements (Amendments)	1 January 2013
IFRS 11	Joint Arrangements	1 January 2013
IFRS 12	Disclosures of Interest in Other Entities (Amendments)	1 January 2013
IAS 27	Separate Financial Statements	1 January 2013
IAS 28	Investments in Associates and Joint Ventures	1 January 2013
IAS 32	Offsetting Financial Assets and Financial Liabilities (Amendments)	1 January 2014
IAS 39	Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)	1 January 2014
Annual Improvements to IFRSs 2010-2012 Cycle*		1 July 2014
Annual Improvements to IFRSs 2011-2013 Cycle*		1 July 2014

*At the date of authorisation of these financial statements, these standards and interpretation have not yet been endorsed or adopted by the EU.

The effective dates stated above are those given in the original IASB/IFRIC standards and interpretations. IFRS 10, 11, 12 and IAS 27, 28 have been adopted by the EU with an effective date of 1 January 2014. As the Group prepares its financial statements in accordance with IFRS as adopted by the European Union (EU), the application of new standards and interpretations will be subject to their having been endorsed for use in the EU via the EU Endorsement mechanism. In the majority of cases this will result in an effective date consistent with that given in the original standard or interpretation but the need for endorsement restricts the Group's discretion to early adopt standards.

The Directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the Group's financial statements in the period of initial application.

The Company has not adopted IFRS and has therefore drawn up separate financial statements in accordance with UK GAAP. These are presented on pages 53 to 59.

Notes to the financial statements for the year ended 31 December 2013 (continued)

1. Accounting policies (continued)

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

Going concern

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

Accounting policies

The Group's key accounting policies are set out below. These policies have been prepared on the basis of the recognition and measurement requirements of IFRS standards in effect that apply to accounting periods beginning on or after 1 January 2013, and have been applied to 2012 comparatives.

a. Basis of consolidation

The Group financial statements consolidate those of the Company and all of its subsidiary undertakings drawn up to 31 December 2013. Subsidiaries are all entities over which the Group has the power to control the financial and operating policies. The Group exercises control through a majority of voting rights or board control. Refer to note 7 for further details of the consolidation of The Hut Management Company Limited. All subsidiaries have a reporting date of 31 December.

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

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

b. Business combinations

Business combinations are accounted for using the acquisition method under the revised IFRS 3 'Business Combinations' (IFRS 3R). 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.

Notes to the financial statements for the year ended 31 December 2013 (continued)

1. Accounting policies (continued)

b. Business combinations (continued)

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

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

c. Segment reporting

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

d. Revenue

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

Revenue for services provided is recognised by reference to the stage of completion as at the balance sheet date.

e. Share-based payments

The Group operates share-based compensation plans, under which the Group receives services from employees as consideration for equity instruments (options or growth shares - refer to note 7 for further details) of the Company. The fair value of the employee services received in exchange for the grant of the equity instruments is recognised as an expense.

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

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

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

Notes to the financial statements for the year ended 31 December 2013 (continued)

1. Accounting policies (continued)

f. Intangible assets

Goodwill

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

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

Other intangible assets

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

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

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

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

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

The following useful economic lives are applied:

Platform development costs	3-5 years
Brands	5 years-indefinite
Intellectual property (including customer lists, domain and trade names)	1.5-10 years

Notes to the financial statements for the year ended 31 December 2013 (continued)

1. Accounting policies (continued)

g. Property, plant and equipment

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

Plant and machinery	3-5 years
Fixtures and fittings	3-5 years
Computer equipment and software	3-5 years
Freehold buildings	10 years
Motor vehicles	3 years

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

Non-current assets are classified as assets held-for-sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

h. Inventories

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

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

i. Financial instruments

Financial assets

Financial assets within the scope of IAS39 are classified as loans and receivables. The group has no financial assets at fair value through profit and loss, held to maturity investments, available for sale assets or derivatives designed as hedging instruments.

Trade and other receivables

Trade and other receivables are non-interest bearing and are initially recognised at fair value. Subsequently they are measured at amortised cost using the effective interest rate method less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired.

Notes to the financial statements for the year ended 31 December 2013 (continued)

1. Accounting policies (continued)

Cash and cash equivalents

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

Financial liabilities and equity instruments

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

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

Trade and other payables

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

Bank borrowings

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

j. Leased assets

Finance leases

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

Operating leases

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

k. Onerous contracts

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

Notes to the financial statements for the year ended 31 December 2013 (continued)

1. Accounting policies (continued)

l. Exceptional items

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

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

m. Taxation

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

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

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

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates (and laws) that are expected to apply in the period when the liability is settled or the asset is realised.

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

n. Foreign currency translation

Functional and presentational currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in sterling, which is the functional and presentational currency of all the entities in the Group.

Notes to the financial statements for the year ended 31 December 2013 (continued)

1. Accounting policies (continued)

Transactions and balances

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

o. Significant estimates and judgements

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

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

Goodwill and intangible asset impairment reviews

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

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

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

Capitalisation and amortisation of platform development costs

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

The useful economic life of the platform is considered to be between 3 and 5 years dependent on the type of development work capitalised. The estimate of useful economic life is reviewed on a regular basis to ensure that this continues to be appropriate.

Notes to the financial statements for the year ended 31 December 2013 (continued)

1. Accounting policies (continued)

o. Significant estimates and judgements (continued)

Share-based payments

Critical estimates and assumptions are made in particular with regard to the calculation of the fair value of employee share options using appropriate valuation models. In addition judgement is required in assessing the vesting periods of the awards. The inputs and assumptions of the model are detailed in note 7.

Exceptional items

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

2. Segment information

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

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

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

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

	2013 £'000	2012 £'000
UK	**119,012**	115,471
Europe	**40,029**	32,197
Rest of the world	**25,269**	9,519
	184,310	**157,187**

Rendering of services represents 5% of total revenue (2012: 5%)

All non-current assets are based in the UK.

Notes to the financial statements for the year ended 31 December 2013 (continued)

3. Operating profit

Operating profit has been arrived at after charging:

	Note	2013 £'000	2012 £'000
Operating profit has been arrived at after charging:			
Employee costs	6	**15,024**	12,031
Share-based payments	7	**509**	253
Depreciation	12	**1,443**	1,311
Profit on disposal of property, plant and equipment	12	**(43)**	-
Amortisation	11	**4,522**	2,721
Operating lease rentals :			
Motor vehicles		**49**	59
Land and buildings		**1,288**	942

4. Exceptional items

	2013 £'000	2012 £'000
Integration of acquisitions	**1,999**	4,139
Advisor costs associated with acquisitions	**1,618**	-
	3,617	**4,139**
Tax effect	**(394)**	(1,182)
	3,223	**2,957**

The rationale with all acquisitions is to fully maximise the Group's distribution and technology platform. Consequently, there is a process of reorganisation common across all acquisitions. These costs include dual site and technology decollation costs, redundancy, onerous lease costs and other one off costs. The costs in the year relate primarily to the integration of PBK and Exante with the prior year costs largely relating to the MyProtein migration.

Notes to the financial statements for the year ended 31 December 2013 (continued)

5. Auditors remuneration

	2013 £'000	2012 £'000
Audit of the Company and consolidated financial statements	**50**	50
Other services :		
- audit of the Company's subsidiaries	**45**	45
- other audit services	**-**	30
- other non audit services not disclosed above	**50**	200
	145	**325**

6. Employee costs and Directors' remuneration

	Note	2013 £'000	2012 £'000
Wages and salaries		**17,553**	14,005
Social security costs		**1,563**	1,351
Pension costs		**8**	-
Share-based payments	7	**509**	253
		19,633	**15,609**

The aggregate amount of employee costs included above that have been capitalised within platform development costs was £4.1m (2012: £3.3m).

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

	2013 £'000	2012 £'000
Directors' emoluments	**483**	425
Highest paid director	**176**	109

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

No retirement benefits are accruing to any of the Directors at 31 December 2013 (2012: nil).

Notes to the financial statements for the year ended 31 December 2013 (continued)

6. Employee costs and Directors' remuneration (continued)

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

	2013 Number	2012 Number
Retail	**162**	121
Administration	**194**	130
Distribution	**232**	155
Information technology	**159**	78

7. Share-based payments

In November 2013, a new management incentive "growth share" scheme was introduced. An intermediate holding company, The Hut IHC Limited ("IHC") has been inserted into the group structure as a subsidiary of the Company, owning 100% of the remaining subsidiary companies. Employees within the scheme have subscribed for shares in a new company, The Hut Management Company Limited ("Manco"), which owns 10% of the share capital in IHC. The Company holds a separate class of share in Manco which gives it the right to control the appointment of 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 operating policies of Manco. The paid share capital in Manco has been reflected in a separate category of equity, "Employee benefit scheme reserve", on the balance sheet.

The options and growth shares have been valued using the Black-Scholes model with the inputs detailed in the table below. The expected volatility is based on historical volatility of three listed comparable companies over the last three years. The expected life is the average expected period to exercise. The risk-free rate of return is the yield on zero-coupon UK government bonds of a term consistent with the assumed option, growth share life. The charge for the year was £0.5m (2012: £0.3m).

The Group has provided interest free loans of £0.8m (2012: £nil) to directors in order for them to subscribe for shares in The Hut Management Company Limited as part of the employee benefit scheme. The loans are repayable in the event of a sale or listing of the Group

Notes to the financial statements for the year ended 31 December 2013 (continued)

7. Share-based payments (continued)

	Growth shares November 2013	EMI November 2013
Share price at grant date £	63.59	63.59
Exercise price £	5.00	1.00
Expected volatility %	49.9	49.9
Option life (years)	n/a	n/a
Risk-free interest rate %	1.5	1.5
Fair value per option £	38.24	39.25

A reconciliation of option movements, and weighted average exercise price ("WAEP") over the year to 31 December 2013 is shown below:

	Number 2013	WAEP 2013	Number 2012	WAEP 2012
Outstanding at 1 January	117,975	7.82	140,944	7.82
Granted	305,028	4.29	-	-
Lapsed	(1,086)	3.99	(22,969)	7.82
Outstanding at 31 December	**421,917**	**5.28**	**117,975**	**7.82**

8. Finance income and cost

	2013 £'000	2012 £'000
Finance income		
Bank interest receivable	**29**	16
Finance costs		
Bank interest payable and charges	**994**	1,332
Finance lease interest	**54**	49
Unwind of discount in relation to onerous lease provisions	**-**	48
	1,048	**1,429**

Notes to the financial statements for the year ended 31 December 2013 (continued)

9. Income tax

	Note	2013 £'000	2012 £'000
Current tax			
Tax charge for the year		**149**	-
Adjustments in respect of prior year		**429**	18
		578	**18**
Deferred tax			
Origination and reversal of temporary differences		**(2,177)**	68
Adjustments in respect of prior year		**54**	181
Change in tax rates		**(37)**	(21)
	20	**(2,160)**	**228**
Total income tax (credit) / charge		**(1,582)**	**246**

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

	2013 £'000	2012 £'000
Profit before tax	**3,970**	308
Profit before tax at 23.25% (2012: 24.5%)	923	75
Tax effects of:		
Adjustments in respect of prior year	483	198
Expenses not deductible	641	(114)
R&D enhanced deductions	(165)	(132)
Effect of lower tax rates in other jurisdictions	-	(31)
Losses not recognised	-	315
Recognition of previously unrecognised losses	(1,987)	-
Utilisation of previously unrecognised losses	(1,441)	(44)
Effect of change in tax rate	(36)	(21)
	(1,582)	**246**

The standard rate of Corporation Tax in the UK changed from 24% to 23% with effect from 1 April 2013. Accordingly, the Group's profits for this accounting period are taxed at an effective rate of 23.25%. The reduction of the main rate of corporation tax from 23% to 21% from 1 April 2014 and to 20% from 1 April 2015 was included within the Finance Bill 2013, which was substantively enacted on 2 July 2013. Future profits will be taxed at the appropriate rate. Deferred tax as at 31 December 2013 has been calculated at 20% (2012: 23%); the enacted rate at which the deferred tax is expected to reverse.

Notes to the financial statements for the year ended 31 December 2013 (continued)

10. Business combinations

On 22 January 2013, the Group acquired the entire share capital of Bike Kit Limited ("PBK") for a cash consideration of £8.9m. PBK is an online retailer of cycling equipment and accessories, with a global customer base including Australia, Canada and USA.

On 1 April 2013, the Group acquired the entire share capital of Exante Diet Limited ("Exante") for a cash consideration of £3.0m. Exante is an online retailer of diet products.

For further details on each acquisition refer to page 4.

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

	PBK £'000	Exante £'000	Total £'000
Inventories	940	204	**1,144**
Other receivables	128	22	**150**
Cash and cash equivalents	678	740	**1,418**
Trade and other payables	(1,495)	(259)	**(1,754)**
Deferred tax	-	(11)	**(11)**
Total carrying amount	251	696	**947**

The following fair value adjustments have been made:

	PBK £'000	Exante £'000	Total £'000
Intangible assets - brands	-	586	**586**
Intangible assets - customer lists	248	489	**737**
Deferred tax	(53)	(220)	**(273)**
Total fair value adjustments	**195**	**855**	**1,050**

Notes to the financial statements for the year ended 31 December 2013 (continued)

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	PBK £'000	Exante £'000	Total £'000
Intangible assets	11	248	1,075	**1,323**
Inventories		940	204	**1,144**
Other receivables		128	22	**150**
Cash and cash equivalents		678	740	**1,418**
Trade and other payables		(1,495)	(259)	**(1,754)**
Deferred tax	20	(53)	(231)	**(284)**
Net assets acquired		**446**	**1,551**	**1,997**
Goodwill	11	**8,475**	**1,406**	**9,881**
Purchase consideration		**8,921**	**2,957**	**11,878**

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.

There were no trade receivables reflected in the balances above.

Cash flows arising from the acquisitions were as follows:

	PBK £'000	Exante £'000	Total £'000
Purchase consideration settled in cash	8,921	2,957	**11,878**
Cash and cash equivalents acquired	(678)	(740)	**(1,418)**
Total cash outflow	**8,243**	**2,217**	**10,460**

From the date of acquisition to 31 December 2013, PBK and Exante contributed £11.2m and £5.1m respectively to Group revenues. In the same period PBK contributed losses of £0.9m and Exante contributed profits of £2.4m to the Group's profit before tax.

If the acquisitions had occurred on 1 January 2013, the Group's revenue and profit before tax for the year would have been £186.0m and £4.8m respectively.

Notes to the financial statements for the year ended 31 December 2013 (continued)

11. Intangible assets

	Note	Goodwill £'000	Platform development costs £'000	Intellectual property £'000	Brands £'000	Total £'000
Cost or valuation						
At 1 January 2012		**67,845**	**7,722**	**5,943**	**8,037**	**89,547**
Additions		-	3,839	808	-	**4,647**
At 31 December 2012		**67,845**	**11,561**	**6,751**	**8,037**	**94,194**
At 1 January 2013		**67,845**	**11,561**	**6,751**	**8,037**	**94,194**
Additions		-	4,713	2,450	-	**7,163**
Disposals		-	-	(4,338)	-	**(4,338)**
Business combinations	10	9,881	-	737	586	**11,204**
At 31 December 2013		**77,726**	**16,274**	**5,600**	**8,623**	**108,223**
Accumulated amortisation						
At 1 January 2012		**270**	**3,366**	**3,514**	**835**	**7,985**
Amortisation	3	-	1,488	1,063	170	**2,721**
At 31 December 2012		**270**	**4,854**	**4,577**	**1,005**	**10,706**
At 1 January 2013		**270**	**4,854**	**4,577**	**1,005**	**10,706**
Amortisation	3	-	2,646	1,700	176	**4,522**
Disposals		-	-	(4,338)	-	**(4,338)**
At 31 December 2013		**270**	**7,500**	**1,939**	**1,181**	**10,890**
Net book amount						
At 1 January 2012		**67,575**	**4,356**	**2,429**	**7,202**	**81,562**
At 31 December 2012		**67,575**	**6,707**	**2,174**	**7,032**	**83,488**
At 31 December 2013		**77,456**	**8,774**	**3,661**	**7,442**	**97,333**

No goodwill is deductible for tax purposes.

Notes to the financial statements for the year ended 31 December 2013 (continued)

11. Intangible assets (continued)

Impairment tests for goodwill and other intangible assets

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

Goodwill and brands 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 years (2012: 3 years) and pre-tax cash flows projected forward assuming a perpetual growth rate of 2% (2012: 2%). The discount rate applied to the cash flow projections was 11% on a pre-tax basis (2012: 11%). The average per-annum growth rate applied to the initial period ranged from 5% to 25% (2012: 5.0% to 25%) and is based on recent actual and expected performance of the Group. The net book value of goodwill and brands with indefinite lives allocated to CGUs for the purposes of impairment testing is as follows:

	Note	2013 Goodwill £'000	2013 Brands £'000	2012 Goodwill £'000	2012 Brands £'000
MyProtein		**40,407**	**4,699**	40,407	4,699
LookFantastic		**19,860**	-	19,860	-
Mankind		**2,456**	-	2,456	-
HQHair		**319**	-	319	-
Iwantoneofthose		**1,965**	-	1,965	-
The Hut		**2,568**	-	2,568	-
ProBikeKit	10	**8,475**	-	-	-
Exante	10	**1,406**	-	-	-
		77,456	**4,699**	**67,575**	**4,699**

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 20% reduction in the discounted cashflows would not result in an impairment being required.

Notes to the financial statements for the year ended 31 December 2013 (continued)

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 2012	**135**	**1,009**	**553**	**2,159**	**2,203**	**6,059**
Additions	-	359	142	457	95	**1,053**
Disposals	-	(140)	(114)	(74)	(2)	**(330)**
At 31 December 2012	**135**	**1,228**	**581**	**2,542**	**2,296**	**6,782**
At 1 January 2013	**135**	**1,228**	**581**	**2,542**	**2,296**	**6,782**
Additions	154	1,335	371	566	12	**2,438**
Disposals	(87)	-	-	-	-	**(87)**
At 31 December 2013	**202**	**2,563**	**952**	**3,108**	**2,308**	**9,133**
Accumulated depreciation						
At 1 January 2012	**41**	**292**	**211**	**745**	**48**	**1,337**
Depreciation (note 4)	45	257	166	779	64	**1,311**
Disposals	-	(117)	(114)	(74)	(2)	**(307)**
At 31 December 2012	**86**	**432**	**263**	**1,450**	**110**	**2,341**
At 1 January 2013	**86**	**432**	**263**	**1,450**	**110**	**2,341**
Depreciation (note 4)	100	572	138	550	83	**1,443**
Disposals	(87)	-	-	-	-	**(87)**
At 31 December 2013	**99**	**1,004**	**401**	**2,000**	**193**	**3,697**
Net book amount						
At 1 January 2012	**94**	**717**	**342**	**1,414**	**2,155**	**4,722**
At 31 December 2012	**49**	**796**	**318**	**1,092**	**2,186**	**4,441**
At 31 December 2013	**103**	**1,559**	**551**	**1,108**	**2,115**	**5,436**

Notes to the financial statements for the year ended 31 December 2013 (continued)

12. Property, plant and equipment (continued)

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

	Motor vehicles £'000	Plant and machinery £'000	Computer equipment and software £'000	Total £'000
At 31 December 2012				
Cost	135	715	818	**1,668**
Accumulated depreciation	(86)	(307)	(480)	**(873)**
Net book value	**49**	**408**	**338**	**795**
At 31 December 2013				
Cost	203	610	813	**1,626**
Accumulated depreciation	(99)	(390)	(748)	**(1,237)**
Net book value	**104**	**220**	**65**	**389**

13. Inventories

	2013 £'000	2012 £'000
Goods held for resale	**20,020**	17,632

The cost of inventories recognised as expense and included in cost of sales amounted to £121.1m (2012: £109.1m). In the prior year the Group reversed a carried forward inventory write down of £0.4m which had been included in the cost of sales in the statement of comprehensive income. There was no such adjustment in the current year.

Notes to the financial statements for the year ended 31 December 2013 (continued)

14. Financial assets and liabilities

	2013 £'000	2012 £'000
Assets as per balance sheet - loans and receivables		
Trade and other receivables excluding prepayments	**1,734**	6,521
Cash and cash equivalents	**24,000**	20,029
	25,734	**26,550**
Liabilities as per balance sheet - other financial liabilities at amortised cost		
Bank borrowings	**23,397**	17,957
Finance leases	**438**	783
Trade and other payables excluding non-financial liabilities	**49,170**	36,579
	73,005	**55,319**

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.

The Group's financial risks are detailed on page 10 of the Strategic report.

15. Trade and other receivables

	2013 £'000	2012 £'000
Trade receivables	**1,694**	4,651
Less provision for impairment	**(42)**	(107)
	1,652	4,544
Prepayments and accrued income	**3,120**	1,554
Other debtors	**82**	1,977
	4,854	**8,075**

Trade and other receivables are principally denominated in sterling.

Notes to the financial statements for the year ended 31 December 2013 (continued)

15. Trade and other receivables (continued)

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

	2013 £'000	2012 £'000
Not due	**994**	4,492
0 to 3 months overdue	**630**	-
3 to 6 months overdue	**5**	159
Over 6 months overdue	**65**	-
	1,694	**4,651**

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

	£'000
At 1 January 2013	107
Utilised	(37)
Released from opening balance	(46)
Charge for the year	18
At 31 December 2013	**42**

16. Cash and cash equivalents

	2013 £'000	2012 £'000
Cash at bank and on hand	**24,000**	20,029

17. Trade and other payables

	2013 £'000	2012 £'000
Trade creditors	**36,753**	31,667
Accruals and deferred income	**10,000**	5,320
Other taxation and social security	**1,565**	2,418
Other creditors	**852**	862
	49,170	**40,267**

The Directors consider the carrying amount of trade and other payables approximates to their fair value.

Notes to the financial statements for the year ended 31 December 2013 (continued)

18. Borrowings

	Note	2013 £'000	2012 £'000
Current			
Bank borrowings		**11,250**	5,332
Finance leases	21	**259**	447
		11,509	**5,779**
Non-current			
Bank borrowings		**12,147**	12,625
Finance leases	21	**179**	336
		12,326	**12,961**

A mortgage balance of £1.1m (2012: £1.3m), included within bank borrowings, is secured by a legal charge over the property. Finance leases are secured by charges over the assets to which they relate. Bank borrowings carried an interest rate of 3.00% (2012: 3.25%) plus Libor. All material companies registered in England and Wales have granted a debenture to Barclays Bank plc. Share charges and where relevant a charge over bank accounts have been granted in respect of material Guernsey and Jersey registered companies.

If interest rates during the year had been 100 basis points higher/lower with all other variables held constant, post tax profit for the year would have been £136,000 (2012: £130,000) lower/higher as a result of the higher/lower interest expense which would have been payable.

The contractual maturity of bank borrowings is as follows:

	2013 £'000	2012 £'000
Within one year	**11,530**	5,332
Between two and five years	**12,173**	12,100
Over five years	**-**	525
	23,703	**17,957**

The fair value measured by reference to discounted contractual future cash flows approximates to book value.

Notes to the financial statements for the year ended 31 December 2013 (continued)

19. Provisions

	2013 £'000	2012 £'000
Current		
Onerous leases	**92**	225
Customer loyalty points	**203**	182
	295	**407**
Non-current		
Onerous leases	-	753
	-	**753**

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

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

The movement in the provisions balance is as follows:

	Onerous leases £'000	Customer loyalty points £'000	Total £'000
At 1 January 2013	978	182	**1,160**
Utilisation	(547)	(451)	**(998)**
Released from opening balance	(339)	-	**(339)**
Created	-	472	**472**
At 31 December 2013	**92**	**203**	**295**

Notes to the financial statements for the year ended 31 December 2013 (continued)

20. Deferred tax

The deferred tax balance comprises:

	2013 £'000	2012 £'000
Short term timing differences	**971**	906
Accelerated capital allowances	**(508)**	(417)
Business combinations	**1,845**	1,986
Tax losses	**(1,709)**	-
	599	**2,475**

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

	Note	£'000
At 1 January 2013		2,475
Business combinations	10	284
Consolidated statement of comprehensive income	9	(2,160)
At 31 December 2013		**599**

The Group has unrecognised deferred tax assets relating to losses of £0.6m (2012: £2.8m).

21. Leases

Operating leases

At 31 December 2013, the Group had future aggregate minimum lease payments under non-cancellable operating leases expiring as follows:

	Land and buildings 2013 £'000	Other 2013 £'000	Land and buildings 2012 £'000	Other 2012 £'000
Within one year	**1,436**	**100**	926	52
Between two and five years	**1,613**	**100**	583	59
After five years	**309**	**-**	392	-
	3,358	**200**	**1,901**	**111**

Notes to the financial statements for the year ended 31 December 2013 (continued)

21. Leases (continued)

Finance leases

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

		Minimum lease payments		Present value of future minimum lease payments	
		2013	**2012**	**2013**	**2012**
	Note	**£'000**	**£'000**	**£'000**	**£'000**
Expiring within one year		**288**	501	**259**	447
Expiring between two and five years		**194**	393	**179**	336
		482	**894**	**438**	**783**
Less interest payable		**(44)**	(111)	-	-
Finance lease liability	18	**438**	**783**	**438**	**783**

The fair value measured by reference to discounted contractual future cash flows approximates to book value.

22. Share capital and reserves

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

	2013 Number	**2012 Number**
Class		
A ordinary	**725,438**	725,438
B ordinary	**68,518**	68,518
D ordinary	**3,200**	3,200
A shares	**246,291**	246,291
A1 shares	**213,419**	213,419
A2 shares	**990,255**	990,255
A3 shares	**468,405**	468,405
A4 shares	**153,904**	153,904
A5 shares	**152,464**	152,464
Deferred shares	**33,514**	33,514
£1 nominal value ordinary shares	**3,055,408**	**3,055,408**

Notes to the financial statements for the year ended 31 December 2013 (continued)

22. Share capital and reserves (continued)

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

The holders of A shares, A1 shares, A2 shares, A3 shares, A4 shares, A5 shares, A ordinary shares and B ordinary shares are entitled to receive dividends pro rata according to the number of shares held by them respectively as if they constituted one class of share. The A shares, A1 shares, A2 shares, A3 shares, A4 shares, A5 shares, 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").

D ordinary shares

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

Deferred shares

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

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.

	Note	Ordinary shares £'000	Share premium £'000	Employee benefit scheme reserve £'000	Merger reserve £'000	Retained earnings deficit £'000	Total Equity £'000
Balance at 1 January 2013		**3,055**	**87,459**	**-**	**615**	**(19,694)**	**71,435**
Profit and total comprehensive income for the year		-	-	-	-	5,552	5,552
Issue of ordinary share capital		-	(76)	175	-	-	99
Share-based payments	7	-	-	-	-	509	509
Balance at 31 December 2013		**3,055**	**87,383**	**175**	**615**	**(13,633)**	**77,595**

Notes to the financial statements for the year ended 31 December 2013 (continued)

22. Share capital and reserves (continued)

During 2012, 329,240 shares were issued for cash consideration of £13.5m, net of fees of £0.7m. £1.2m was received in October 2011, £10.8m was received during 2012 and £1.5m was received in January 2013. The reduction in the share premium account during the year was due to additional direct costs associated with the shares issued in 2012.

The movement on the share benefit scheme reserve relates to the issue of shares in Manco. Refer to note 7 for further details.

23. Pension commitments

A subsidiary company operates a defined contribution pension scheme. The scheme is managed by independent fund managers and its assets/liabilities are held separately from that of the company. The pension charge represents the amount paid by the company and amounted to £8,000 (2012: nil). There were no outstanding contributions due to the fund at the year end.

24. Cash flow generated from operations

	Note	2013 £'000	2012 £'000
Profit before taxation		**3,970**	**308**
Adjustments for :			
Depreciation	12	**1,443**	1,311
Amortisation	11	**4,522**	2,721
Share-based payments	7	**509**	253
Exceptional items	4	**3,617**	4,139
(Profit) / loss on disposal of property, plant and equipment		**(43)**	24
Net finance costs	8	**1,019**	1,413
Operating cashflow before exceptional items and before movements in working capital and provisions		**15,037**	**10,169**
Increase in inventories		**(1,198)**	(1,994)
Decrease in trade and other receivables		**1,674**	940
Increase in trade and other payables		**6,779**	373
Increase / (decrease) in provisions		**21**	(248)
Cash generated from operations before exceptional cash flows		**22,313**	**9,240**

25. Ultimate parent company

The ultimate parent company is The Hut Group Limited, a company registered in Great Britain, whose registered office is at Meridian House, Rudheath, Gadbrook Park, Northwich, Cheshire, CW9 7RA. There is no ultimate controlling party.

Notes to the financial statements for the year ended 31 December 2013 (continued)

26. Related party transactions

The Directors of the Company who were in office during the year from 1 January 2013 and up to the date of signing the financial statements are:

M J Moulding
J A Gallemore
A Monro
I McDonald
W M Evans
D J Crown (resigned 16 January 2014)
P J Gedman
D Golden (resigned 19 March 2013)
C R Lewis
R Pennycook

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

	Ordinary shares 2013 Number	Shares under warrant 2013 Number	Ordinary shares 2012 Number	Shares under warrant 2012 Number
M J Moulding	**448,482**	**-**	448,482	-
J A Gallemore	**22,760**	**-**	22,760	-
A Monro	**95,213**	**4,263**	95,213	4,263
I McDonald	**30,279**	**2,147**	30,279	2,147
D J Crown	**167,164**	**-**	167,164	-
	763,898	**6,410**	**763,898**	**6,410**

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

	Date of award	Subscription / exercise price £	2013 Number	2012 Number
M J Moulding	Oct-10	7.50	**29,090**	29,090
M J Moulding	Nov-13	5.00	**87,930**	-
J A Gallemore	Oct-10	7.50	**14,545**	14,545
J A Gallemore	Nov-13	5.00	**17,586**	-
A Monro	Nov-13	5.00	**35,172**	-
R Pennycook	Nov-13	5.00	**35,172**	-
P J Gedman	Jan-10	8.25	**1,339**	1,339
P J Gedman	Oct-10	7.50	**1,950**	1,950
P J Gedman	Nov-13	5.00	**10,561**	-
			233,345	46,924

Notes to the financial statements for the year ended 31 December 2013 (continued)

26. Related party transactions (continued)

The share based payments expense associated with the Directors was £0.27m (2012: £0.11m).

At the balance sheet date PJ Gedman had an interest free loan of £8,000 (2012: £14,000) which is repayable on demand.

27. Post balance sheet events

In January 2014 the Group acquired the entire share capital of the Finnish company, Active Nutrition International OY ("ANI") which is an online B2C retailer of sports nutrition products.

In March 2014 the Group acquired the entire share capital of Moo Limited which operates the Preloved.co.uk website. Preloved is a website that introduces buyers and sellers of second hand products.

The initial accounting for the business combinations is ongoing therefore the disclosures relating to the fair value of assets and liabilities acquired have not been provided.

The Group agreed amended banking facilities with Barclays in January 2014, increasing the availability on the revolving credit facility by £12m. The maturity of the facilities has been extended from 31 March 2015 to 31 December 2015.

During January and February 2014 the Group bought back 207,636 shares for a cash consideration of £13.0m. To facilitate the transaction, a capital reduction was carried out to transfer £80m from the share premium account to a distributable reserve.

Notes to the financial statements for the year ended 31 December 2013 (continued)

28. Principal subsidiary undertakings

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

Subsidiary	Country of incorporation	Nature of business
The Hut.com Limited**	England and Wales	Online retailing
The Hut Platform Limited**	England and Wales	Provision of website development services
The Hut Holdings Limited**	England and Wales	Dormant
The Hut.com (Trading) Limited**	Jersey	Online retailing
Cend Limited**	England and Wales	Online retailing
Guco Internet Supplies Limited**	Guernsey	Holding company
Iwantoneofthose Limited**	Guernsey	Online retailing
The Hut Entertainment SL**	Spain	Holding company
Zone Limited**	Guernsey	Holding company
Allenby Square**	England and Wales	Property holding company
Ensco 818 Limited**	England and Wales	Holding company
Mankind Holdings Limited**	Guernsey	Holding company
Mankind Direct Limited**	England and Wales	Online retailing
Lookfantastic Group Limited**	England and Wales	Holding company
Lookfantastic.com Limited**	England and Wales	Online retailing
Lookfantastic Franchising Limited**	England and Wales	Franchising and consultancy services
Lookfantastic Training Limited**	England and Wales	Management and training services
Lookfantastic London Limited**	England and Wales	Hairdressing salon
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	Employee benefit scheme
Exante Diet Limited**	England and Wales	Online retailing
Bike Kit Limited**	England and Wales	Online retailing
CNP Professional Holdings Limited**	Guernsey	Holding company
MyVitamins Limited**	England and Wales	Dormant
HQ Hair Limited**	Guernsey	Holding company
Cend International Limited**	England and Wales	Online retailing

* - 90% owned by The Hut Group Limited and 10% by The Hut Management Company Limited
** - 100% owned by The Hut IHC Limited either directly or indirectly.

Refer to note 7 for further details of the Group structure.

Independent auditors' report to the members of The Hut Group Limited for the year ended 31 December 2013

We have audited the parent company financial statements of The Hut Group Limited for the year ended 31 December 2013 which comprise the company balance sheet and the related notes 1 to 9. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 12, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2013
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements.

Independent auditors' report to the members of The Hut Group Limited for the year ended 31 December 2013 (continued)

Matters on which we are required to report by exception

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

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

Other matter

We have reported separately on the group financial statements of The Hut Group Limited for the year ended 31 December 2013.

Alastair John Richard Nuttall (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Manchester
21 May 2014

THEHUTGROUP™

ATTENTION TO RETAIL

Company balance sheet as at 31 December 2013

	Note	2013 £'000	2012 £'000
Fixed assets			
Investments	4	**76,626**	73,366
		76,626	**73,366**
Current assets			
Debtors	5	**33,220**	31,429
Cash		**207**	-
		33,427	**31,429**
Creditors: amounts falling due within one year	6	**(11,298)**	(8,888)
Net current assets		**22,129**	**22,541**
Total assets less current liabilities		**98,755**	**95,907**
Creditors: amounts falling due after one year	7	**(12,008)**	(6,490)
Net assets		**86,747**	**89,417**
Capital and reserves			
Called up share capital	8	**3,055**	3,055
Share premium	8	**87,383**	87,459
Merger reserve	8	**615**	615
Profit and loss account	8	**(4,306)**	(1,712)
Total shareholders' funds		**86,747**	**89,417**

The financial statements on pages 53 to 59 were approved by the board of Directors on 21 May 2014 and were signed on its behalf by:

J A Gallemore
Director
Registered number: 06539496

Notes to the Company financial statements for the year ended 31 December 2013

1. Accounting policies

The principal accounting policies applied under UK GAAP are detailed below. They have all been applied consistently throughout the year and the preceding year.

a. Basis of preparation

The financial statements have been prepared on a going concern basis in accordance with the Companies Act 2006 and United Kingdom Generally Accepted Accounting Practice (UK GAAP), under the historical cost convention. 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 £3,103,000 (2012: loss of £2,732,000).

No cash flow statement has been included as the cash flows of the Company are included in the consolidated financial statements of The Hut Group Limited. The consolidated financial statements of The Hut Group Limited have been prepared in accordance with International Financial Reporting Standards.

b. Taxation and deferred taxation

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

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing 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 financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

c. Borrowing costs

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

d. Financial instruments

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

e. Borrowings

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

Notes to the Company financial statements for the year ended 31 December 2013 (continued)

1. Accounting policies (continued)

f. Financial liabilities and equity

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

g. Investments in subsidiaries

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

h. Share-based payments

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

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

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

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

2. Employee costs and numbers

	2013 £'000	2012 £'000
Wages and salaries	145	-
Social security costs	223	-
	368	-

The average number of employees during the year was 2 (2012:nil). In the prior year all employee costs were reflected in another Group company.

Notes to the Company financial statements for the year ended 31 December 2013 (continued)

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.

	Note	2013 £'000	2012 £'000
At 1 January		**73,366**	73,113
Additions		**2,957**	-
Capital contribution	8	**303**	253
At 31 December		**76,626**	**73,366**

Additions in the year relate to the acquisition of the entire issued share capital of Exante Diet Limited.

As part of a restructure of the Group, the Company exchanged its shares in its subsidiary undertakings for shares in The Hut IHC Limited. Refer to note 7 of the consolidated financial statements for further detail.

5. Debtors

	2013 £'000	2012 £'000
Amounts owed by group undertakings	**32,843**	29,385
Other debtors	**-**	1,525
Corporation tax asset	**-**	9
Other taxation and social security	**105**	158
Prepayments and accrued income	**272**	352
	33,220	**31,429**

Other debtors relate to employee loans in respect of the employee benefit scheme that was introduced during the year. Further details of the scheme can be found in note 7 of the consolidated financial statements. Other debtors in the prior period relate to shares which were issued in 2012.

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

Notes to the Company financial statements for the year ended 31 December 2013 (continued)

6. Creditors: amounts falling due within one year

	2013 £'000	2012 £'000
Trade creditors	**744**	523
Bank overdraft	**-**	88
Bank borrowings	**10,049**	5,182
Amounts owed to group undertakings	**-**	2,182
Accruals and deferred income	**505**	913
	11,298	**8,888**

Amounts owed by group undertakings are unsecured, non-interest bearing and repayable on demand. Refer to note 7 for details of the bank borrowings.

7. *Creditors: amounts falling due after one year*

	2013 £'000	2012 £'000
Bank borrowings	**12,008**	6,490

Bank borrowings carried an interest rate of 3.00% (2012 3.25%) plus Libor. If interest rates during the year had been 100 basis points higher/lower with all other variables held constant, post tax profit for the year would have been £165,000 (2012: £70,000) lower/higher as a result of the higher/lower interest expense which would have been payable.

Notes to the Company financial statements for the year ended 31 December 2013 (continued)

8. Share capital and reserves

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

	2013 Number	2012 Number
Class		
A ordinary	**725,438**	725,438
B ordinary	**68,518**	68,518
D ordinary	**3,200**	3,200
A shares	**246,291**	246,291
A1 shares	**213,419**	213,419
A2 shares	**990,255**	990,255
A3 shares	**468,405**	468,405
A4 shares	**153,904**	153,904
A5 shares	**152,464**	152,464
Deferred shares	**33,514**	33,514
£1 nominal value ordinary shares	**3,055,408**	**3,055,408**

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

The holders of A shares, A1 shares, A2 shares, A3 shares, A4 shares, A5 shares, A ordinary shares and B ordinary shares are entitled to receive dividends pro rata according to the number of shares held by them respectively as if they constituted one class of share. The A shares, A1 shares, A2 shares, A3 shares, A4 shares, A5 shares, 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").

D ordinary shares

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

Deferred shares

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

Notes to the Company financial statements for the year ended 31 December 2013 (continued)

8. Share capital and reserves (continued)

	Note	Share capital £'000	Share premium £'000	Merger reserve £'000	Retained earnings deficit £'000	Total £'000
Balance at 1 January 2013		**3,055**	**87,459**	**615**	**(1,712)**	**89,417**
Loss for the year		-	-	-	(3,103)	(3,103)
Issue of ordinary shares		-	(76)	-	-	(76)
Share-based payments	4	-	-	-	509	509
Balance at 31 December 2013		**3,055**	**87,383**	**615**	**(4,306)**	**86,747**

£0.2m has been charged to the Company profit and loss account in respect of the share-based payments. £0.3m of share-based payments is reflected in the subsidiary financial statements.

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

The movement in the share premium account during the year was due to additional direct costs associated with a share issue in 2012.

9. Post balance sheet events

Disclosure on the post balance sheet events can be found in note 27 of the Group financial statements.