

**This announcement contains inside information**

**21 April 2022**

**THG PLC**

**Preliminary FY 2021 results and first quarter trading statement**

**Record full year revenue and adjusted EBITDA performance at £2.2bn and £161m respectively, building on the strong momentum from 2020 (FY 2020: £1.6bn, £151m)**

**Strong revenue growth expected for FY 2022; +22.0% to +25.0% YoY<sup>1</sup> CCY (before the c. 1.0% revenue impact of Russia / Ukraine)**

**FY 2021 saw significant global infrastructure investment, underpinning sustainable long-term competitive advantage**

THG PLC ("THG" or the "Group"), the proprietary technology platform specialising in taking brands direct to consumers ("D2C") globally, announces its preliminary results for the financial year ended 31 December 2021 ("FY 2021"), together with its trading update for the three months ending 31 March 2022 ("Q1 2022").

**FY 2021 Group Trading Performance**

<b>£m</b>	<b>FY 2021</b>	<b>FY 2020</b>	<b>YoY<sup>2</sup> Growth</b>	<b>YoY Growth CCY<sup>3</sup></b>	<b>2 Year Growth</b>	<b>2 Year Growth CCY</b>
THG Beauty	1,117.8	751.6	+48.7%	+51.8%	+133.7%	+138.1%
THG Nutrition	659.5	562.3	+17.3%	+20.9%	+59.7%	+63.3%
THG Ingenuity	194.3	137.3	+41.5%	+43.2%	+51.9%	+56.5%
THG OnDemand	128.1	101.3	+26.5%	+29.5%	+119.3%	+122.1%
Other	80.2	61.1	+31.3%	+28.0%	+28.0%	+25.5%
<b>Group Revenue</b>	<b>2,179.9</b>	<b>1,613.6</b>	<b>+35.1%</b>	<b>+38.1%</b>	<b>+91.2%</b>	<b>+95.1%</b>
Gross Margin % <sup>4</sup>	44.7%	45.2%				
<b>Adj EBITDA<sup>5</sup></b>	<b>161.3</b>	<b>150.8</b>	<b>+7.0%</b>			
Adj EBITDA%	7.4%	9.3%				
<b>Net Cash / (Debt)<sup>6</sup></b>	<b>44.4</b>	<b>282.8</b>				
Ingenuity Revenue						
Commerce	45.4	19.3	+135.2%	+135.2%	+512.3%	+512.3%

<sup>1</sup> Any reference to revenue growth throughout this document is on a constant currency basis ("CCY"). Removing fluctuations arising from translation of foreign exchange by restating prior year numbers at current year exchange rates

<sup>2</sup> YoY defined as year-on-year statutory sales growth

<sup>3</sup> CCY defined as constant currency basis

<sup>4</sup> Gross Margin % is presented before the impact of depreciation and amortisation

<sup>5</sup> Adjusted EBITDA is defined as operating profit before depreciation, amortisation and adjusted items

<sup>6</sup> Net Cash / (Debt) is cash and cash equivalents less debt before lease liabilities, on a hedged basis (see note 14)

**Q1 2022 Group Trading Performance**

<b>£m</b>	<b>Q1 2022</b>	<b>Q1 2021</b>	<b>YoY Growth</b>	<b>YoY Growth CCY</b>	<b>2 Year Growth</b>	<b>2 Year Growth CCY</b>
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THG Beauty		264.7	220.8	+19.9%	+19.7%	+128.3%	+131.3%
THG Nutrition		160.6	146.3	+9.8%	+12.6%	+45.0%	+50.1%
THG Ingenuity		51.9	40.4	+28.6%	+28.1%	+62.2%	+63.9%
THG OnDemand		25.5	26.4	-3.7%	-3.6%	+106.0%	+107.7%
Other		17.6	13.4	+31.0%	+32.8%	+50.5%	+50.8%
<b>Group Revenue</b>		<b>520.2</b>	<b>447.3</b>	<b>+16.3%</b>	<b>+17.2%</b>	<b>+84.0%</b>	<b>+87.9%</b>
<i>Ingenuity Revenue</i>	<i>Commerce</i>	11.8	7.9	+47.9%	+47.9%	+326.1%	+326.1%

**Matthew Moulding, CEO of THG, commented:**

*"In our first full year as a public company, 2021 saw us scale revenue and expand our business model, well ahead of targets set at IPO. We delivered a record revenue performance for the year, with Group revenue up +38% year-on-year to £2.2bn. On a two-year basis, THG has grown revenues +95%; effectively doubling the size of the business.*

*"Alongside significant revenue growth, FY 2021 saw us acquire and successfully integrate a number of complementary businesses, deepening our vertical integration across both Beauty and Nutrition and expanding our reach to consumers across the globe.*

*"The operational resilience and performance of our Ingenuity infrastructure, especially during our peak trading period was a highlight, as was the opening of our automated warehouse at our ICON technology campus, delivering material improvements and cost savings across our global storage and delivery infrastructure.*

*"Our technology platform is now powering an expansive list of global brands across a multitude of sectors, and the number of third-party websites has almost doubled during the year.*

*"We also continued to progress governance within the Group through the year, and I was delighted to announce last month the appointment of Lord Charles Allen as our independent Non-Executive Chair. Charles' extensive boardroom experience will help the Group continue to drive profitable and sustainable growth, and to meet the highest standards of corporate governance.*

*"You will all be aware that there has been significant speculation about possible third party interest in THG. I can confirm that the Board has received indicative proposals from numerous parties in recent weeks. The Board has concluded that each and every proposal to date has been unacceptable, failing to reflect the fair value of the Group, and confirms that THG is not currently in receipt of any approaches. We continue to focus on delivering our exciting growth strategy across a number of large global sectors, and prepare to step up to the premium segment of the LSE at the appropriate time.*

*"I would like to thank all THG colleagues for their dedication and hard work in helping us achieve such a strong performance for the year. We remain confident in delivering our strategic growth plans for the year ahead and beyond, with full support from the Board and our new Chairman."*

**Outlook and market demand**

- Q1 2022 saw very encouraging consumer demand levels against a particularly challenging comparable global lockdown period in 2021, with the second quarter starting in line with expectations.
- Through its fully integrated D2C model, THG has significant pricing power given its global leadership positions in high repeat, large scale Beauty and Nutrition markets.
- The Group is fully aware of the significant impact of short-term cost inflation on both global consumers and supply chains alike. THG intends to limit the impact of cost pressures on our consumers by maximising efficiencies in our operating model, absorbing some of the pricing pressures, and raising prices at a lower rate to underlying input costs.
- We believe the recent and rapid inflationary environment is largely transitory, and THG will, as far as possible, continue to shield consumers from these adverse macro-economic conditions. The Group's consumer first focus remains to build the long-term, loyal customer base, with c.80% of revenues generated from returning customers each year.

**Guidance**

- Whilst market commentary cautions continued pressure on consumer spending due to macro-economic factors, at this stage of the year the revenue guidance outlined on 18 January 2022 remains unchanged at +22.0% to +25.0% CCY (before the c.1.0% revenue impact of Russia / Ukraine). The high repeat nature of the Group's D2C businesses supports this outlook, along with a high quality pipeline for THG Ingenuity Commerce, where we reiterate previous revenue guidance of £108.0m to £112.0m.
- The near-term environment has evolved significantly since January due to a number of global factors including; the war in Ukraine, Covid-19 related lockdowns in Asia, and inflationary pressure across almost all cost lines. FX, when commodity prices and inflation remain the key adjusted EBITDA margin drivers for FY 2022, and ongoing automation in the network, vertical integration and cost saving actions will help to offset some of these pressures.
- Given the continually evolving external considerations, the Board anticipates FY 2022 adjusted EBITDA to be broadly in line with FY 2021, with a weighting to H2 2022. The full year effect of

anticipated improvements primarily expected in the second half across whey commodity prices, business model efficiencies driving improved operating leverage and increased Ingenuity Commerce revenues, all support continued margin recovery in 2023 and a return to 9.0% to 10.0% adjusted EBITDA in the medium-term.

- An improving commodity market, alongside significant operating investments made during FY 2021 in talent, technology and infrastructure, provide operational leverage for the Group to confidently rebuild towards historical adjusted EBITDA margins in the region of 9.0% to 10.0% over the medium-term. This includes the extension of its vertical integration strategy through in-housing production of own-brand beauty and nutrition ranges.
- Our medium-term margin confidence is supported by the transitory nature of a proportion of the cost inflation pressure, particularly concerning whey input costs which we expect to stabilise in H2 2022; the partial offsetting of non-transitory labour cost increases by automation; and increased revenue participation of Ingenuity Commerce which is margin accretive.
- The Group is well progressed through its investment in expanding its global fulfilment network, and therefore capital expenditure for the Group in FY 2022 is expected to be c. £200m (FY 2021: £189m). As per the guidance communicated at IPO, capex is expected to fall to between 5.5% to 6.5% of revenue over the medium-term.

#### **FY 2021 financial highlights**

- Strong revenue growth at +38.1% increasing Group revenues to £2.2bn with 58% international revenue participation. Following the acquisition of Dermstore, USA revenues now account for over 19% of Group.
- Returning customers generated 78% of D2C Group revenues (FY 2020: 76%), reinforcing the repeat nature of our digital brands, Ingenuity's frictionless retailing environment and the enduring nature of consumer channel shift to online.
- The Group's measure of gross profit margin at 44.7%, is broadly in line with prior years, with gross profit growth of +33.7% on FY 2020 driven by strong underlying trading margins in Nutrition, Beauty and Ingenuity Commerce.
- Adjusted EBITDA of £161.3m, at a margin of 7.4% (vs 9.3% in FY 2020) reflects FX movements, company investment in talent and infrastructure, increasing raw material costs (principally whey), and freight costs which saw a marked acceleration in H2 2021.
- The Group incurred an operating loss of £137.5m impacted by certain non-recurring costs:
  - o £43.0m of non-recurring Distribution costs (principally transportation, delivery and fulfilment costs associated with Covid-19, which are declining as expected and now running at half of the levels seen at the peak FY 2020 position);
  - o £33.2m of administrative costs (principally acquisition related costs including legal and professional fees) which are included within adjusted items reflecting the non-underlying nature of these costs.
  - o A £53.0m non-cash cost in respect of impairment within THG Experience, THG Luxury and THG OnDemand divisions.
- Strong liquidity position with net cash of £44.4m at year end (excluding lease liabilities), cash of over £530m and a £170m undrawn revolving credit facility. The Group's bank facilities have long tenures, specifically, the €600m Term Loan B matures in December 2026 and the £170m revolving credit facility matures in December 2024.

#### **FY 2021 strategic and operational highlights**

- Over \$1.0 billion capital raised to support the continuation of the Group's disciplined M&A strategy. Dermstore, Bentley Labs, Cult Beauty and Brighter Foods all remain on track to be successfully integrated as outlined at the time of acquisition.
- Well invested fulfilment and manufacturing capacity at key locations globally to support THG's own-brands and Ingenuity clients, including the Icon Technology campus at Manchester Airport. This helped facilitate shipping of over 137 million units from its global fulfilment network in the year, a 74% increase on FY 2019.
- 16.4m active THG Beauty and THG Nutrition customers, +95% increase vs 2019.
- Strategic relationships formed with leading social media, MarTech and automation partners.
- Launch of the Group's 2030 Sustainability strategy with a key commitment to offset historical operational emissions.
- THG recognised as one of the 'Best Companies' *Top 25 Best Big Companies to Work for 2021*.

#### **First quarter 2022 highlights**

- Revenue growth of +17.2% YoY and +87.9% over a 2 year period, a strong result considering the particularly challenging comparable global lockdown period, with the long-term trend towards e-commerce continuing to support new customer acquisition and retention.
- THG Beauty delivered sales growth of +19.7% YoY, with partnerships across leading brands continuing to strengthen across the retail destination sites with 24 new partners joining the platform in Q1.
- THG Nutrition delivered revenue growth of +12.6% YoY, with a record quarter for the UK. Building on its extended in-house production and innovation integration capabilities, 95 new SKUs were launched during the quarter.
- Group apps continue to drive improvements in order values and time between orders, with influencers also playing an important role in cost efficient marketing, generating c.10% of total Group D2C revenue for Q1 2022 on a tracked<sup>7</sup> basis.

#### **Ingenuity Commerce Q1 2022 highlights**

- THG Ingenuity continues to support clients extending their digital strategies internationally, with 77% of live sites in major territories.

- Whilst unprecedented inflationary pressures and the geo-political environment have brought caution to capital deployment plans, digital transformation projects remain essential, reflected in the strength of the THG Ingenuity new business pipeline, further to the scaling of the sales team.
- Average recurring revenue per website and Annual Revenue Run-Rate in Q1 2022 is in line with expected levels, with the seasonal uplift in Gross Merchandise Value processed over the peak trading period elevating the Q4 2021 position.
- In support of its proprietary marketing ecosystem, THG Ingenuity has formed a partnership with fast growing affiliate marketing platform Awin, enabling Ingenuity clients to leverage a growing global network of over 240,000 active affiliate partners. Awin's platform supports customer re-engagement to optimise conversion and has already played a significant role in developing THG own-brands affiliate programme. *David Lloyd, Chief Customer Officer at Awin commented, "We are delighted to partner with THG Ingenuity as their marketing technology platform of choice. This extends our relationship to benefit THG Ingenuity's growing high-quality client base, who are seeking to accelerate their own digital strategies through affiliate partnerships."*

	Q1 2022	Q4 2021	Q3 2021	Q2 2021
Number of live client websites <sup>8</sup>	202	187	163	133
Average recurring revenue per website <sup>9</sup> (£m)	0.16	0.24	0.17	0.17
Recurring Revenue % <sup>10</sup>	76%	72%	59%	55%
Annual Revenue Run-Rate <sup>11</sup> (£m)	51	61	44	37

<sup>7</sup> Tracked is based on revenues via link last click attribution and codes which may have a last click attribution of other digital channels

<sup>8</sup> Number of websites defined as website with a specific domain name/URL live at the end of the period.

<sup>9</sup> Average recurring revenue per website is presented on an annual basis.

<sup>10</sup> Based on total Ingenuity Commerce revenue.

<sup>11</sup> Annual Revenue Run-rate is based on annualised recurring revenue and trailing 12 months non-recurring revenue.

### **Analyst and investor conference call**

THG will today host a conference call and webcast for analysts and investors at 9.00am (UK time). Call details are available from [thg@powerscourt-group.com](mailto:thg@powerscourt-group.com).

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**ENDS**

### **Notes to editors**

THG ([www.thg.com](http://www.thg.com)) is a vertically integrated, digital-first consumer brands group, retailing its own brands in beauty and nutrition, plus third-party brands, via its proprietary, end-to-end, e-commerce technology, infrastructure and brand-building platform (THG Ingenuity) to an online and global customer base. THG's business is operated through the following businesses:

**THG Beauty:** The globally pre-eminent digital-first brand owner, retailer and manufacturer in the prestige beauty market, combining its prestige portfolio of eight owned brands across skincare, haircare and cosmetics, the provision of a global route to market for over 1,300 third-party beauty brands through its portfolio of websites, including Lookfantastic, Dermstore, Cult Beauty and Mankind and the beauty subscription box brand GLOSSYBOX.

**THG Nutrition:** A group of digital-first Nutrition brands, which includes the world's largest online sports nutrition brand Myprotein, and its family brands (Myvegan, Myvitamins, MP Clothing and Myprotein Pro), with a vertically integrated business model, supported by six THG production facilities.

**THG Ingenuity:** Ingenuity Commerce provides an end-to-end direct to consumer e-commerce solution for consumer brand owners under 'Software as a Service' (SaaS) licences. The wider Ingenuity division provides stand-alone digital services, including hosting, studio content, translation services and beauty product development and manufacturing.

**THG OnDemand:** Personalisation and customisation is a key offering within THG OnDemand, enabling brands to offer unique products to a vast range of consumers across THG's global territories through websites including Zavvi, IWOOT and Pop in a Box.

Other: Luxury D2C websites including Coggles, AllSole and MyBag, in addition to THG Experience. The latter comprises prestige events locations at Hale Country Club & Spa, King Street Townhouse Hotel and Great John Street Hotel, providing deeply experiential brand building environments, most notably in support of THG Society, the Group's proprietary influencer marketing platform.

### **Cautionary Statement**

*Certain statements included within this announcement may constitute "forward-looking statements" in respect of the group's operations, performance, prospects and/or financial condition. Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words and words of similar meaning as "anticipates", "aims", "due", "could", "may", "will", "should", "expects", "believes", "intends", "plans", "potential", "targets", "goal" or "estimates". By their nature, forward-looking statements involve a number of risks, uncertainties and assumptions and actual results or events may differ materially from those expressed or implied by those statements. Accordingly, no assurance can be given that any particular expectation will be met and reliance should not be placed on any forward-looking statement. Additionally, forward-looking statements regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. No responsibility or obligation is accepted to update or revise any forward-looking statement resulting from new information, future events or otherwise. Nothing in this announcement should be construed as a profit forecast. This announcement does not constitute or form part of any offer or invitation to sell, or any solicitation of any offer to purchase any shares or other securities in the Company, nor shall it or any part of it or the fact of its distribution form the basis of, or be relied on in connection with, any contract or commitment or investment decisions relating thereto, nor does it constitute a recommendation regarding the shares or other securities of the Company. Past performance cannot be relied upon as a guide to future performance and persons needing advice should consult an independent financial adviser. Statements in this announcement reflect the knowledge and information available at the time of its preparation.*

## **THG PLC The Digital Brands Group**

### **Preliminary FY 2021 results**

#### **Executive Chair and Chief Executive Officer's Statement**

2021 marked our first full year as a public company and I would like to begin by expressing my gratitude to all THG colleagues for their dedication and hard work in helping us achieve such strong growth in the year. We have scaled revenue and expanded our business model well ahead of targets given at the time of our IPO back in September 2020, and are well placed to manage the inflationary pressures and effects of the pandemic on global supply chains thanks to our investment in automation and vertical integration strategy.

The Group will continue to evolve and operate to the highest standards of corporate governance. In this regard following an international search initiated in October 2021, we are delighted Charles Allen, Lord Allen of Kensington CBE, joined THG in March 2022 as independent Non-Executive Chair.

Charles has extensive boardroom experience across a range of sectors, and chaired many similar large, successful, dynamic companies, and his appointment will enable me to focus my attention on delivering the Group's plans for growth.

During the year we also announced a number of strategic options for 2022 and beyond, including our plans to step up to the Premium segment of the London Stock Exchange's Main Market and separate THG Beauty by way of a listing or strategic partnership. I will work closely with Charles and the Board to continually review these strategic options and we look forward to updating you on progress during 2022 as our plans take shape.

At the time of our IPO we reconfirmed THG's purpose to reinvent how brands connect to consumers globally - to be best in class at building, growing and accelerating brands in order to deliver long-term sustainable growth for our shareholders. We announced a meaningful financial and trading partnership with SoftBank in May 2021.

As part of the announcement, we set out our intention to commence a separation of THG's key business units and we are on track to complete this during H1 2022. The separation will simplify the corporate divisional structure and provide the Group with material optionality and the flexibility to enter into future strategic partnerships to generate value accretion for our stakeholders.

#### **A pivotal year for online commerce**

2021 was a pivotal year for online commerce globally, with changes evident right across our business and key markets as consumers and brands increasingly adopt digital ways of engaging. The pandemic has changed the way business is conducted and consumers behave, creating opportunities for THG to invest in support of our strategic growth ambitions.

2021 was a year of investment across our entire business in the following areas:

- our infrastructure - completion of the state-of-the-art ICON Technology campus in Manchester;
- our Ingenuity platform - expansion of our global distribution network including automation;
- our global footprint - acquisition of Dermstore to accelerate US growth; and
- our people - we welcomed over 3,000 employees to the Group.

E-commerce remains a winning channel with increased convenience due to enhanced delivery and fulfilment infrastructure, increased product and category range and deeper engagement with brands selling direct to consumer "D2C".

THG Beauty, the global number one pure play online prestige beauty retailer, saw significant growth over the year, active customers around the world rose by 2.3 million to 9.2 million. THG Nutrition, the world's largest online D2C sports nutrition brand, grew its active customers from 6.3 million to 7.2 million around the globe.

Demand in our large and high growth consumer and technology markets remains strong and we have observed new and existing customer behaviour metrics consistent with the pre-pandemic environment, such as stable average order values and high customer repeat rates. Revenue from returning Lookfantastic and Myprotein customers represented c.80% of sales in FY 2021, with influencer-led digital marketing delivering high return on investment.

The performance and resilience of our Ingenuity infrastructure was also a highlight, with robust operational performance both through our websites and our global distribution network dispatching over one million units per day at peak periods, supporting a frictionless customer journey.

### **Financial performance**

We were delighted to report significant revenue growth across all divisions during the important peak trading period and to have delivered record annual sales of £2.2 billion (+38% revenue growth year-on-year 'YoY'). Organic growth was positive in both Beauty and Nutrition, despite challenging comparatives, with two-year organic growth in both divisions over 50%, ahead of medium-term guidance.

The Group delivered adjusted EBITDA of £161m, alongside a loss before tax of £(186)m. The loss was principally driven by adjusted items, which include the excess costs for transportation, delivery and fulfilment costs in relation to Covid-19, alongside the commissioning of new warehouses and non-recurring acquisition fees. Additionally, there has been an increase in both amortisation and administrative expenses driven by acquired intangibles and investment in additional headcount in FY 2021 ahead of future revenue growth, with an element of operating leverage anticipated in FY 2022.

We retain a focus on cost discipline whilst maintaining our strategy of investing for growth and continue to benefit from a healthy liquidity position with net cash excluding lease liabilities of £44m, cash on hand of over £530m and a £170m undrawn revolving credit facility.

### **Scaling D2C brands through strategic investment**

To support our THG Nutrition portfolio of global, digital-first brands, we are committed to investing in and building best-in-class BRC AA Grade product innovation and manufacturing facilities. The acquisition of Brighter Foods reflects a continuation of this vertical integration strategy, further enhancing the Group's new product development and in-house manufacturing capabilities.

We have brought in-house decades of product know-how and innovative resource in the formulation and production of high-quality nutritional snack bars. Reducing lead-times for new product development and retail launches, while ensuring product IP remains exclusive, supports Myprotein's position as the largest online D2C sports nutrition brand globally, whilst also delivering substantial cost synergies.

Within our Beauty division, we expanded our offering in the important US market with the acquisition of Dermstore, the leading US pure-play online prestige and professional skincare business. This was followed by the addition of Cult Beauty, the favoured partner for independent brands, into our global portfolio of destination beauty websites.

Alongside enhancing THG's relationships with its key global beauty partners, these acquisitions accelerate the implementation of our strategy to be the global digital partner of choice across the beauty industry. Our beauty retail proposition is highly complemented by best-in-class, in-house product innovation and manufacturing, with a high quality portfolio of prestige own-brands.

### **Ingenuity and operational excellence**

In recognition of the continuing trend towards digital commerce, we remain committed to invest in fulfilment capacity at key locations globally to support THG's own-brands and Ingenuity clients. This investment enhances the customer journey, in addition to accessing an extended addressable market through fulfilment-only solutions via an extended and more efficient global warehouse network.

We also made the bold decision to bring forward the opening of our automated warehouse at our Manchester ICON campus which dispatched its first order in September 2021.

Globalising a digital brand is incredibly complex and expensive with a high failure rate, which is why so few brand owners have ever done it successfully across multiple territories. The migration of websites trading substantial GMV is not without execution risk and the Group's experience in this regard has delivered meaningful improvements to the all-important customer experience. This positions Ingenuity as a partner of choice for brands looking to invest in and develop their digital and cross-border strategies.

Our Ingenuity operational infrastructure and technology platform is now powering an expansive list of global brands across a multitude of sectors, and the number of third-party websites on the platform has more than doubled during the year.

### **Sustainability**

Our sustainability vision is to leave the world a better place than we found it. It will take real responsibility and commitment from every one of our people, suppliers and stakeholders, working in partnership to help us achieve our shared goals.

As a vertically integrated business, we are acutely aware of the impact that big businesses can have on the environment, and the great responsibility and influence we hold with our people, communities and suppliers in the UK and internationally. Our sustainability goals reinforce the direction in which THG is travelling, providing a formal structure with targets underpinned by science, data and technology, and driven by our talented people all over the world. Integral to this, is our commitment to offset all our historical operational emissions by the end of 2025; and as part of this, we were pleased to have planted some 830,000 trees in 2021 through THG Eco.

We have always been fast-paced, agile and responsive to changes in our markets, and our sustainability strategy is no different - while we have our sights set on the year 2030 for the majority of our milestone targets, we will do our best to achieve more and work in partnership with others to accelerate the pace of positive change. We are committed to using our global scale and dedication to innovation, to act as a force for good.

### **THG in the community**

In 2022, we will develop and publish a new Group-wide Social Impact strategy to define our approach to charitable giving and maximise THG's impact in our local and global communities.

Most recently, our HR teams have worked around the clock to provide physical and mental health support to our Ukrainian colleagues around the world and our security teams have helped to safely relocate some of our colleagues and their families who made the difficult decision to leave their homes in Ukraine. We are also continuing to support our Ukrainian colleagues here in the UK, including assisting those who are making arrangements for their loved ones to join them as soon as they are able to.

While the protection and safety of our colleagues has been our top priority, we know that urgent support is needed beyond our immediate network. We have been liaising with national and international partners to determine the best way we can help them provide practical support.

In March 2022, we confirmed that £1.2 million in product donations will be made available from our warehouse in Poland to support those affected by the conflict and we are working with our local partners to distribute essential items such as food, clothing and hygiene products to the areas in greatest need.

We also continued to support charities helping people cope with the devastating impacts of Covid-19, including donating funds to charities in India helping to provide relief aid and vital oxygen facilities in struggling rural communities.

### **Our culture and people**

Driven by ambition, innovation, collaboration and entrepreneurship, our culture and the people at THG are integral to the Group's success. From more than 95 nationalities, our colleagues bring a wealth of experience and talent, working together to deliver exceptional results right across the business.

This value recognition is reflected in our rapidly evolving people proposition, with a dedicated diversity and inclusion committee leading on a dynamic strategy to identify areas of opportunity and drive positive cultural change through inclusive policies and practices. The enhancements of our wellbeing platform are a commitment to employee wellbeing and support, while our investment in new staff benefits is designed to show our people our appreciation for their outstanding contributions.

With the implementation of a new pension scheme to include an increased company contribution, the opportunity to purchase additional annual leave days, enhanced maternity and paternity packages, and our 'salary sacrifice', Techscheme and Cycle to Work Scheme, our employee benefits reflect our investment in our people.

Named one of the UK's 25 Best Big Companies to Work For in 2021, THG fosters an environment built on the foundations of teamwork, diligence and excellence. I would like to thank all colleagues for their continued contributions to the Group and welcome all new starters to join us in achieving our ambitions.

### **Onwards**

We are making long-term strategic decisions for THG as we recognise the enormous opportunity that the structural shift to online e-commerce will bring. During 2021, we invested £1 billion across infrastructure, technology and acquisitions to further develop the long-term growth prospects of the Group and completed many transformational projects on a global scale.

The investment that we have made in our global manufacturing, fulfilment and distribution network provides capacity and capabilities to continue to build leading positions in our core markets across Technology, Beauty and Nutrition, supplemented by in-housing recycling infrastructure to support our target of recycling more plastic than we produce.

Our vision has not changed. THG Beauty and THG Nutrition are focused on becoming the undisputed digital leaders in their categories. THG Ingenuity aims to be the leading technology platform for the enterprise market, powering digital transformation for brands globally. Whilst we have made substantial progress and remain committed to executing our strategic growth plans, we are naturally disappointed that this has not translated into tangible shareholder returns. The management team, with our Board's full support, remains wholly focused on delivering our strategic growth plans in 2022 to drive shareholder value.

**The Digital Brands Group**  
**Preliminary FY 2021 results**

**Chief Financial Officer Review**

Following an exceptional 2020 for THG, 2021 also saw a strong performance, delivering record annual revenue of £2.2bn, an increase of 35% (38% on a constant currency basis). The year achieved healthy organic sales growth across all divisions with two-year group organic growth of over 50%, robust delivery through the acquisitions integrated throughout the year along with new contract wins in Ingenuity Commerce.

	Year ended 31 December 2021			Year ended 31 December 2020		
	Before Adjusted Items	Adjusted Items	Total	Before Adjusted Items	Adjusted Items	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>CONSOLIDATED INCOME STATEMENT</b>						
Revenue	2,179,910	-	<b>2,179,910</b>	1,613,625	-	1,613,625
Cost of sales	(1,225,506)	-	<b>(1,225,506)</b>	(900,472)	-	(900,472)
Gross Profit	<b>954,404</b>	-	<b>954,404</b>	713,153	-	713,153
Distribution Costs	(386,928)	(43,012)	<b>(429,940)</b>	(295,020)	(55,240)	(350,260)
Administrative costs	(575,711)	(86,216)	<b>(661,927)</b>	(372,627)	(472,098)	(844,725)
Operating (loss)/profit	<b>(8,235)</b>	<b>(129,228)</b>	<b>(137,463)</b>	45,506	(527,338)	(481,832)
<b>FINANCIAL SUMMARY: Adjusted profit measures</b>						
Gross profit (before depreciation and amortisation)	974,767	-	<b>974,767</b>	729,590	-	729,590
Distribution costs (before depreciation and amortisation)	(369,120)	(43,012)	<b>(412,132)</b>	(284,741)	(55,240)	(339,981)
Administrative costs (before depreciation and amortisation)	(444,371)	(86,216)	<b>(530,587)</b>	(294,049)	(472,098)	(766,147)
<b>EBITDA</b>	<b>161,276</b>	<b>(129,228)</b>	<b>32,048</b>	150,800	(527,338)	(376,538)
Depreciation	(70,478)	-	<b>(70,478)</b>	(48,055)	-	(48,055)
Amortisation	(99,033)	-	<b>(99,033)</b>	(57,239)	-	(57,239)
<b>Operating (loss)/profit</b>	<b>(8,235)</b>	<b>(129,228)</b>	<b>(137,463)</b>	45,506	(527,338)	(481,832)

**Note** The table above shows financial results for gross profit, distribution costs and administrative costs before the impact of depreciation and amortisation, which are shown as separate lines below EBITDA. For statutory presentation, cost of sales includes charges of £20.4m (2020: £16.4m), while distribution and administrative costs include £17.8m (2020: £10.3m) and £131.3m (2020: £78.6m) of depreciation and amortisation charges respectively.

**The financial year in review**

**Revenue**

Group revenues increased 35% to £2,180m (2020: £1,614m) and 38% on a constant currency basis, culminating in 2-year total sales growth of 95% (constant currency). All divisions delivered strong growth as the wider consumer shift to digital channels continued apace. THG Beauty performed particularly well with revenues of £1,118m, representing 51% (2020: 47%) of total revenue after delivering 49% year on year growth. In Beauty, strong organic sales growth was complemented by the acquisitions of Dermstore, Bentley and Cult Beauty. THG Nutrition sales grew 17% to £660m whilst THG Ingenuity revenues grew 42% year on year to £194m with the Ingenuity Commerce division growing 135%.

International sales accounted for 58% (2020: 61%) of total Group revenue, after very strong UK growth of 46% year on year driven by both organic growth and the contribution of acquisitions. The most significant acquisitions in the year were Dermstore in February, Bentley in June and Cult Beauty in August, which generated a combined £253m of revenue post acquisition. These acquisitions will each further enhance the THG Beauty offering and provide additional scale to our US Beauty operations, with North America now contributing 19% of group revenue. The D2C websites of these entities were successfully re-platformed to Ingenuity ahead of schedule.



THG Beauty and THG Nutrition achieved double-digit organic growth in 2021 despite annualising very strong sales growth in 2020. This is reflected in organic growth of over 50% (before acquisitions) on a 2-year basis, which is higher than the medium-term guidance of 20-25% per annum provided at IPO.

Approximately 60% of THG's D2C revenues are not in pounds sterling which drives currency conversion fluctuations in both revenue and EBITDA. As the pound has strengthened in 2021, we have seen an impact in our reported growth of c.290 basis points in the full year.

Ingenuity Commerce revenue of £45.4m (2020: £19.3m) includes recurring revenue of 62% (2020: 48%). Recurring revenue includes SaaS licence fees, monthly brand building fees, infrastructure service fees, revenue share and a number of additional services such as translation and creative services.

Non-recurring revenue of £17.2m (2020: £10.0m) includes one-time technology fees covering the costs of the design and development of the website and integration fees for bringing partners onto the Ingenuity platform across a range of services enabling Ingenuity Commerce customers to benefit from a sophisticated suite of technology options. Whilst these are non-recurring on a site-by-site basis, we consider that such fees will be received in future periods as clients expand and as our technology offering continues to evolve.

### **Gross profit**

Gross profit increased to £954m from £713m with a margin of 43.8% (2020: 44.2%) on a statutory basis. Gross profit (before depreciation and amortisation) was £975m equating to a gross profit margin of 44.7%, which was 50bps lower year on year. This margin position was delivered despite the ongoing global supply chain challenges, commodity inflation and foreign exchange headwinds that particularly impacted the retail sector in the second half of the year.

The Group was able to partially mitigate some of these headwinds by utilising the strength of the THG Ingenuity platform and its robust fulfilment and delivery infrastructure, which limited the impact of supply chain inflation to the Group whilst the triple-digit growth of high-margin Ingenuity Commerce also provided a mix benefit to gross margin.

### **Operating expenses**

Distribution costs totalled £430m (2020: £350m), which is 19.7% of revenue, a decrease of 200bps compared to 2020. This reduction is driven by both lower levels of adjusted items and cost efficiencies. Adjusted items fell year on year reflecting lower transportation costs in relation to Covid-19. Cost efficiencies were driven by the continued investment in THG's global fulfilment network, which included the investment in THG's first automated AutoStore facility in Manchester.

Distribution costs (net of adjusting items, depreciation and amortisation) as a percentage of revenue, fell by 70bps on the comparative period totalling 16.9% of revenue, again reflecting the Group's ongoing investment across several key efficiency initiatives.

Administrative costs totalled £662m (2020: £845m) which is 30.4% of revenue, a decrease of 2200bps on 2020. The decrease is primarily due to the one-off share-based payment charge of £332m in 2020 following IPO, which did not recur in 2021.

Administrative costs (net of adjusting items, depreciation and amortisation) as a percentage of revenue, increased by 216bps year on year driven by a continued investment in people to support acquisition integration and to expand the Ingenuity Commerce offering, alongside additional regulatory and compliance costs, resulting from being a publicly-listed company.

### **Adjusted EBITDA**

Adjusted EBITDA rose to £161m from £151m, an increase of 7.0% year-on-year. This represents a margin of 7.4% (2020: 9.3%) reflecting substantial cost headwinds in the second half of the year. Consistent with the wider market, the factors impacting H2 were commodity inflation (notably in whey protein), foreign exchange movements, increased costs of warehouse labour and freight and duty. The impact of these market headwinds trebled in H2 relative to H1 and we believe much of this pressure is short term and will dissipate over time, either through mitigation actions under management control (price management and cost control) or will normalise in the wider economy.

Adjusted EBITDA is an alternative performance measure, the table below reconciles back to the nearest appropriate GAAP measure, operating loss:

£'m	2021	2020
<b>Operating loss</b>	<b>(137,463)</b>	<b>(481,832)</b>
Adjustments for:		
Adjusted item - share-based payments	-	331,624
Adjusted item - impairment of assets held for sale and sale and leaseback costs	-	105,138
Adjusted items - other	<b>129,228</b>	90,576
Depreciation	<b>70,478</b>	48,055
Amortisation	<b>99,033</b>	57,239
<b>Adjusted EBITDA</b>	<b>161,276</b>	<b>150,800</b>

### Depreciation and amortisation

Total depreciation and amortisation costs were £70m and £99m respectively (2020: £48m and £57m) an increase of 61% on the prior year, as THG invested £48m in its proprietary technology platform during the period. Depreciation charges increased year-on-year reflecting the increase in right of use assets acquired from business combinations in the period, while amortisation charges increased year-on-year primarily driven by the additional intangible assets that arose from the 13 acquisitions completed since 29 September 2020.

### Adjusted items

In order to understand the underlying performance of the Group, certain costs included within distribution, administrative and finance costs have been classified as adjusting items. These items principally relate to acquisition-related restructuring and integration costs, transportation, delivery and fulfilment cost increases in relation to Covid-19:

	2021	2020
	£'000	£'000
<b>Within Distribution costs</b>		
Transportation, delivery and fulfilment costs in relation to Covid-19	26,628	39,175
Commissioning - new facilities	16,384	15,907
Decommissioning - legacy facilities	-	158
	<b>43,012</b>	55,240
<b>Within Administrative costs</b>		
Share-based payments	-	331,624
Restructuring costs	10,233	14,308
Impairment of assets within Experience, Luxury and OnDemand divisions	53,008	-
Impairment of certain intangible and tangible assets associated with Software-as-a-service arrangements	2,982	-
Impairment on assets held for sale, and sale and leaseback charges	-	105,138
Donations and other Covid-19 costs	1,090	11,108
Acquisitions - restructuring and integration	5,328	5,736
Acquisitions - legal and professional costs	13,575	4,184
	<b>86,216</b>	472,098
<b>Within Finance costs</b>		
Softbank option - non-cash	601	-
Total adjusted items before tax	129,829	527,338
Tax impact	11,901	3,784
<b>Total adjusted items</b>	<b>141,730</b>	531,122

For full details on each category of adjusted item see note 4 to the financial statements.

### Operating loss

The Group incurred an operating loss in the year of £137m (2020: £482m) as a result of underlying cost price inflation as well as adjusted items, principally: the excess costs for transportation, delivery and fulfilment in relation to Covid-19 (£27m non-recurring); one-off commissioning costs of new facilities (£16m); and other restructuring and acquisition related costs (£29m). There has also been a non-cash impairment recognised in the year for certain non-core divisions totalling £53m and following the IFRIC agenda decision in 2021, we have determined that £3m of SaaS-related costs no longer meet the criteria for recognition as an asset under IAS 38. There were no impairments identified within THG Beauty, THG Nutrition and THG Ingenuity.

Additionally, administration costs (before adjusting items, depreciation and amortisation) increased from 18.2% of revenue in 2020 to 20.4% of revenue in 2021. This increase was largely driven by additional investment in headcount ahead of future revenue growth, with an element of operating leverage anticipated in 2022.

The lower loss in 2021 is primarily due to the one-off share-based payment charge of £332m in 2020 following the IPO, which did not recur in 2021.

Operating loss before adjusting items totals £8m (2020: Profit of £46m). This decrease is due to the impact of the increase in costs as set out above. This is consistent across the industries we operate in and this is considered a temporary impact.

### Finance costs

Adjusted finance costs decreased to £49m (2020: £53m) as a result of the revolving credit facility ("RCF") remaining undrawn for all of 2021 (partially drawn in 2020) combined with the full-year impact of a decreased total borrowings balance following the divestment of Propco in H2 2020 which

contributed to a reduction of £12m year-on-year in bank charges and interest. This was partially offset by an increase of £8m in respect of interest on lease liabilities.

#### **Loss before tax and tax rate**

Reported loss before tax was £186m (2020: £535m). The effective tax rate is 25.88% (2020: 0.4%), based on a total tax credit of £48m (2020: £2m). The effective tax rate differs from the average statutory rate of 19%. This is primarily due to a movement in deferred tax not recognised (13.3%), the impact of the UK corporation tax rate change from 19% to 25% on deferred tax (7.14%), and expenses not deductible (-11.33%). The non-deductible expenses principally comprise exceptional costs associated with acquisitions.

The business combinations in the year give rise to a deferred tax liability in respect of intangible assets recognised on consolidation of £141m. At the balance sheet date the total deferred tax liability in respect of intangible assets recognised on consolidation of £152m. As a result, all potential deferred tax assets arising in the year or previously unrecognised are fully recognised at the balance sheet date. This deferred tax asset recognition has a material impact on the income statement tax credit, and is the primary reason for the effective tax rate exceeding the statutory rate. The income statement tax credit is a non-cash item.

#### **Earnings per share**

Loss per share was (£0.13) per share (2020: loss per share of £(0.66)).

#### **Cash flow**

	2021	2020
	£'000	£'000
Loans and other borrowings	(489,865)	(526,159)
Lease liabilities	(349,173)	(236,185)
Cash and cash equivalents	536,827	773,581
<b>Sub-total</b>	<b>(302,211)</b>	<b>11,237</b>
<b>Adjustments:</b>		
Retranslate debt balance at swap rate where hedged by foreign exchange derivatives	(2,548)	35,403
<b>Net cash / (debt)</b>	<b>(304,759)</b>	<b>46,640</b>
<b>Net cash before leases liabilities</b>	<b>44,414</b>	<b>282,825</b>

THG closed 2021 with net cash of £44m with strong liquidity available through cash on hand of £537m plus the additional £170m undrawn revolving credit facility. The Group generated operating cash flows of £23m (2020: £76m), closing the year with cash generated from operations before adjusted items of £96m (2020: £177m).

Within this, working capital movements generated a net cash outflow of £65m (2020: inflow of £26m). Uncertainty in global supply chains has led to the Group holding more stock during the year to ensure availability of key products, combined with working capital investment to support global warehouse expansion and acquisition integrations. We expect to see a return in reduction in stock cover levels over 2022.

The Group invested £768m (2020: £102m) of cash in acquisitions to further its strategic objectives through key vertical integration and expansionary acquisitions. The primary share issuance in May 2021, which generated £760m cash net of fees, replenished the available cash resources of the Group. A further cash investment of £112m was made in Property Plant and Equipment and £78m in intangible assets (primarily the ingenuity platform) as part of investing and growing the infrastructure of the Group. This resulted in a net decrease in cash during the year of £237m (2020: increase £461m) with the Group holding £537m of cash and cash equivalents at year end. In addition the Group has an undrawn revolving credit facility of £170m and all debt facilities are long-dated.

#### **Balance sheet**

##### **Property plant and equipment and intangible assets**

Property plant and equipment increased to £336m (2020: £240m) with intangible assets including goodwill increasing to £1,507m (2020: £674m). This was driven primarily by business combinations generating goodwill, intellectual property and brands on acquisition of a combined £888m. Additional investment was also made in the THG Ingenuity platform totalling £48m plus fitout of the new state-of-the-art ICON campus with property, plant and equipment additions totalling £126m. These were offset by the depreciation and amortisation charges incurred.

##### **Cash and cash equivalents and net cash before lease liabilities**

The Group's balance sheet remains robust closing the year with cash balances of £537m (2020: £774m), positioning the Group well to deliver long-term value. All debt facilities are long-dated, with the €600m Term Loan B maturing in 2026.

Year-end net cash before lease liabilities and adjusting for the impact of hedging was £44m (31 December 2020: £283m), a reduction of £239m year on year driven by the investment in

acquisitions, property plant and equipment and intangible assets in the year totalling £958m which has been offset by the primary equity raised in the year and cash generated from trading.

The Term Loan B secured in December 2019, together with the equity proceeds from the IPO and primary equity raise in May 2021 has provided THG with substantial available cash reserves, and management consider THG is in a strong position to weather any further market uncertainty. THG's strong cash flow model will provide further liquidity to re-invest in the business's infrastructure, most notably the proprietary Ingenuity platform.

### Consolidated statement of comprehensive income

		2021	2020
		Total	Total
	Notes	£'000	£'000
Revenue	2	2,179,910	1,613,625
Cost of sales		(1,225,506)	(900,472)
<b>Gross profit</b>		<b>954,404</b>	713,153
Distribution costs		(429,940)	(350,260)
Administrative costs		(661,927)	(844,725)
<b>Operating loss</b>	3	<b>(137,463)</b>	<b>(481,832)</b>
Finance income	6	623	205
Finance costs	6	(49,447)	(53,012)
<b>Loss before taxation</b>		<b>(186,287)</b>	<b>(534,639)</b>
Income tax credit		48,213	2,010
<b>Loss for the financial year</b>		<b>(138,074)</b>	<b>(532,629)</b>

### Other comprehensive (expense)/income

Items that may be subsequently reclassified to profit or loss:

Exchange differences on translating foreign operations, net of tax		(272)	(582)
Net gain/(loss) on cash flow hedges		11,391	(4,991)
<b>Total comprehensive expense for the financial year</b>		<b>(126,955)</b>	<b>(538,202)</b>
Basic and diluted loss per share (£)		(0.13)	(0.66)

### Earnings before interest, taxation, depreciation, amortisation, impairment and adjusted items (Adjusted EBITDA)

		2021	2020
		£'000	£'000
	Notes		
<b>Operating loss</b>		<b>(137,463)</b>	<b>(481,832)</b>
Adjustments for:			
Adjusted items - share-based payments	4	-	331,624
Adjusted items - other	4	129,228	195,714
Depreciation	9,15	70,478	48,055
Amortisation	8	99,033	57,239
<b>Adjusted EBITDA*</b>		<b>161,276</b>	<b>150,800</b>

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

### Consolidated statement of financial position

		2021	2020
		£'000	£'000
	Note		
<b>Non-current assets</b>			
Intangible assets	8	1,506,292	674,293
Property, plant and equipment	9	335,620	240,221
Right-of-use assets	15	310,282	193,887
Investments		1,400	-
		<b>2,153,594</b>	<b>1,108,401</b>
<b>Current assets</b>			

Inventories	10	466,781	302,678
Trade and other receivables	11	263,929	246,546
Current tax asset		-	1,797
Other financial assets		2,700	15,849
Cash and cash equivalents	12	536,827	773,581
		<b>1,270,237</b>	<b>1,340,451</b>
<b>Total assets</b>		<b>3,423,831</b>	<b>2,448,852</b>
<b>Equity</b>			
Ordinary shares		6,684	6,061
Share premium		2,022,311	1,287,171
Merger reserve		615	615
Capital redemption reserve		523	523
Hedging reserve		(12,964)	(18,003)
Cost of hedging reserve		13,694	7,342
FX reserve		(1,094)	(822)
Retained earnings		(274,015)	(138,361)
		<b>1,755,754</b>	<b>1,144,526</b>
<b>Non-current liabilities</b>			
Borrowings	14	489,113	524,288
Derivative financial liabilities		-	2,563
Lease liabilities	15	305,831	207,274
Provisions		15,623	-
Deferred tax		73,766	5,944
		<b>884,333</b>	<b>740,069</b>
<b>Current liabilities</b>			
Contract liability		36,143	32,912
Trade and other payables	13	676,563	499,698
Borrowings	14	752	1,871
Current tax liability		4,118	-
Lease liabilities	15	43,342	28,911
Provisions		883	865
Other financial liabilities		21,943	-
		<b>783,744</b>	<b>564,257</b>
<b>Total liabilities</b>		<b>1,668,077</b>	<b>1,304,326</b>
<b>Total equity and liabilities</b>		<b>3,423,831</b>	<b>2,448,852</b>

#### Consolidated statement of changes in equity

	Ordinary shares	Share premium	Employee Benefit Scheme reserve	Merger reserve	Capital Redemption reserve	FX Hedging reserve	Hedging reserve	Cost of Hedging reserve	Retained earnings	Total equity
Note	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 1 January 2020</b>	<b>4,381</b>	<b>230,718</b>	<b>175</b>	<b>615</b>	<b>523</b>	<b>(240)</b>	<b>(6,134)</b>	<b>464</b>	<b>237,183</b>	<b>467,685</b>
Loss for the year	-	-	-	-	-	-	-	(532,629)	(532,629)	
<b>Other comprehensive expense:</b>										
Impact of foreign exchange	-	-	-	-	-	(582)	-	-	-	(582)
Movement on hedging instruments	-	-	-	-	-	(11,869)	6,878	-	-	(4,991)
<b>Total comprehensive (expense) / income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(582)</b>	<b>(11,869)</b>	<b>6,878</b>	<b>(532,629)</b>	<b>(538,202)</b>
Issue of ordinary share capital	2,079	1,056,453	-	-	-	-	-	(100,087)	958,445	
Share buy-backs	(399)	-	-	-	-	-	-	(1,506)	(1,905)	
Share-based payments 5	-	-	-	-	-	-	-	331,624	331,624	
Deferred tax effect of share-based payments	-	-	-	-	-	-	-	2,966	2,966	
Impact of non-equity	-	-	(175)	-	-	-	-	(75,912)	(76,087)	

settlement of previous  
share-based payment  
schemes

<b>Balance at 31 December 2020</b>	<b>6,061,128,171</b>	<b>-</b>	<b>615</b>	<b>523</b>	<b>(822)(18,003)</b>	<b>7,342(138,361)</b>	<b>1,144,526</b>
<b>Balance at 1 January 2021</b>	<b>6,061,128,171</b>	<b>-</b>	<b>615</b>	<b>523</b>	<b>(822)(18,003)</b>	<b>7,342(138,361)</b>	<b>1,144,526</b>
Loss for the year	-	-	-	-	-	-	-(138,074) (138,074)
<b>Other comprehensive expense:</b>							
Impact of foreign exchange	-	-	-	-	(272)	-	(272)
Movement on hedging instruments	-	-	-	-	-	5,039	6,352 11,391
<b>Total comprehensive (expense) / income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(272)</b>	<b>5,039</b>	<b>6,352(138,074) (126,955)</b>
Issue of ordinary share capital	623	735,140	-	-	-	-	- 735,763
Deferred tax effect in equity	-	-	-	-	-	-	- 2,420 2,420
<b>Balance at 31 December 2021</b>	<b>6,684,202,311</b>	<b>-</b>	<b>615</b>	<b>523</b>	<b>(1,094)(12,964)</b>	<b>13,694(274,015)</b>	<b>1,755,754</b>

### Consolidated statement of cash flows

		2021	2020
	Note	£'000	£'000
<b>Cash flows from operating activities before adjusted cash flows</b>			
Cash generated from operations		95,954	176,949
Income tax paid		(7,095)	(3,104)
<b>Net cash generated from operating activities before adjusted cash flows</b>		<b>88,859</b>	<b>173,845</b>
Cash flows relating to adjusted items		(65,528)	(98,277)
<b>Net cash generated from operating activities</b>		<b>23,331</b>	<b>75,568</b>
<b>Cash flows from investing activities</b>			
Acquisition of subsidiaries net of cash acquired	7	(768,490)	(101,949)
Divestment of subsidiaries		-	(10,003)
Purchase of investments		(1,400)	-
Purchase of property, plant and equipment		(111,553)	(174,886)
Purchase of intangible assets		(77,620)	(64,486)
Interest received	6	323	205
<b>Net cash used in investing activities</b>		<b>(958,740)</b>	<b>(351,119)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issuance of ordinary shares net of fees		760,230	905,823
Share buy-backs		-	(1,905)
Interest paid		(25,359)	(35,383)
Repayment of bank borrowings		-	(168,221)
Proceeds from bank borrowings		-	53,791
Repayment of lease liabilities	15	(36,216)	(17,206)
<b>Net cash flow from financing activities</b>		<b>698,655</b>	<b>736,899</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(236,754)</b>	<b>461,348</b>
Cash and cash equivalents at the beginning of the year		773,581	312,233
<b>Cash and cash equivalents at the end of the year</b>	12	<b>536,827</b>	<b>773,581</b>

### Notes to the Consolidated Financial Statements

#### 1. Basis of Preparation

##### a. General information

THG PLC (company number 06539496) is a public company limited by shares and incorporated in England and Wales. It has a standard listing on the London Stock Exchange and is the holding company of the Group. The address of its registered office is 5th Floor, Voyager House, Chicago Avenue, Manchester Airport, Manchester, England M90 3DQ. The Company is the parent and the ultimate parent of the Group, the financial statements comprises the results of the Company and its subsidiaries ("the Group"). The financial period presented here is for the 12 months ending 31 December 2021, and a prior period comparative of the 12 months ending 31 December 2020.

## b. Basis of preparation

The consolidated financial statements, have been prepared in accordance with UK-adopted international accounting standards ("IFRS") and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006. The financial statements have been prepared on the historical cost basis, except for derivatives which are held at fair value.

The financial information included in this preliminary statement of results does not constitute statutory accounts within the meaning of section 435 of the Companies Act (the "Act"). These Condensed Consolidated Financial Statements of THG PLC and its subsidiaries apply the same accounting policies, presentation and methods of calculation as those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2021, which were prepared in accordance with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board and were also prepared in accordance with IFRS adopted by the European Union (EU), the Companies Act 2006 and Article 4 of the EU IAS Regulations.

The statutory accounts for the 12 months ending 31 December 2021 were approved by the Board of Directors on 20 April 2022. The Auditors of the Group made a report thereon under Chapter 3 or part 16 of the Act. This report was unqualified and does not contain a statement under sections 498 (2) or (3) of the Act.

The statutory accounts for the 12 months ending 31 December 2020 have been delivered to the registrar of Companies, and the Auditors of the Group made a report thereon under Chapter 3 or part 16 of the Act. This report was unqualified and does not contain a statement under sections 498 (2) or (3) of the Act.

The financial statements are presented in pounds sterling, rounded to the nearest hundred thousand unless otherwise stated. The Directors consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements of the Group.

The accounting policies adopted by the Group in the current year are consistent with those adopted during the year ended 31 December 2020, except for the adoption of new accounting standards and amendments to existing standards in 2021 as set out below:

- Amendments to IFRS 4, IFRS 7, IFRS 9, IFRS 16 and IAS 39 Interest Rate Benchmark Reform Phase 2

The amendments noted above do not have a significant impact on the Group's financial statements.

There are no standards, interpretations or amendments to IFRS that have been issued but are not yet effective that are expected to have a material impact on the Group's financial statements.

## 2. Segmental reporting and revenue

The Directors have assessed the criteria and considerations under IFRS 8 'Operating Segments' in order to identify operating segments within the Group. The Directors concluded that the Group has one segment, as the Ingenuity platform underpins the Group's operations. The Chief Operating Decision Maker (CODM) is the Chief Executive, who makes the key operating decisions for the business. The CODM receives daily financial information at the combined Group level, and uses this information to allocate resources, make operating decisions and monitor the performance of the Group as a whole.

While the Group only has one operating segment, to increase transparency, the Group has included additional disclosure analysing revenue split by division.

	2021	2020
	£'000	£'000
Beauty	1,117,835	751,621
Nutrition	659,531	562,327
Ingenuity	194,273	137,275
Other	208,271	162,402
<b>Total</b>	<b>2,179,910</b>	<b>1,613,625</b>

Beauty relates to website and business to business sales of owned and third-party Beauty brands. Nutrition relates to sales of products from wholly owned nutrition brands. Ingenuity

revenue relates to the provision of services relating to web-platform, alongside revenue generated from product development, marketing and fulfilment for third-party clients (revenue recognised under IFRS 15), and revenue from webhosting (revenue recognised under IFRS 16). Additionally, THG Eco which is new in 2021, has been included within Ingenuity to provide sustainability solutions and consulting services for THG's own operations, THG's suppliers, partners and customers. Other relates to revenue generated from THG OnDemand, THG Experience and THG Luxury.

Ingenuity revenue is contract based and therefore an element is recognised over time; all other revenue streams are recognised at a point in time. Of the total revenues recognised for THG Ingenuity, £75.6m (2020: £66.8m) is recognised over time.

Below is an analysis of revenue by region (by destination):

	2021	2020
	£'000	£'000
UK	909,452	622,663
USA	406,489	207,835
Europe	458,027	397,216
Rest of the world	405,942	385,911
	<b>2,179,910</b>	<b>1,613,625</b>

As the Group operates as one segment, no measure of segmental assets or liabilities is disclosed in this note.

As part of the planned separation of business units in H1 FY22, the Group are reviewing the segmental reporting and will update this as required by IFRS 8 in 2022.

The Group's non-current assets by geography are as follows:

	2021	2020
	£'000	£'000
UK	1,891,133	1,041,405
Europe	37,966	48,894
Rest of the world	224,495	18,102
	<b>2,153,594</b>	<b>1,108,401</b>

### 3. Operating loss

Operating loss has been arrived at after charging / (crediting):

		2021	2020
	Note	£'000	£'000
Employee costs		260,892	171,368
Share-based payments	5	-	331,624
Depreciation on fixed assets	9	38,269	33,813
Depreciation on right-of-use assets	15	32,209	14,242
Amortisation of intangibles	8	99,033	57,239
Government grants		(1,662)	(1,065)
Net foreign exchange gain		444	(574)

### 4. Adjusted items

These are items which are material in nature and include, but are not limited to, costs relating to acquisitions, disposals and significant events or programmes, some of which span multiple years. These items are excluded from adjusted EBITDA as management believe their inclusion distorts the underlying trading performance. This is consistent with the way that financial performance is measured by management and reported to the Board.

	2021	2020
	£'000	£'000
<b>Within Distribution costs</b>		
Transportation, delivery and fulfilment costs in relation to Covid-19	26,628	39,175
Commissioning - new facilities	16,384	15,907
Decommissioning - legacy facilities	-	158



	<b>43,012</b>	55,240
<b>Within Administrative costs</b>		
Share-based payments	-	331,624
Restructuring costs	<b>10,233</b>	14,308
Impairment of assets within Experience, Luxury and OnDemand divisions	<b>53,008</b>	-
Impairment of certain intangible and tangible assets associated with Software-as-a-service arrangements	<b>2,982</b>	-
Impairment on assets held for sale, and sale and leaseback charges	-	105,138
Donations and other Covid-19 costs	<b>1,090</b>	11,108
Acquisitions - restructuring and integration	<b>5,328</b>	5,736
Acquisitions - legal and professional costs	<b>12,225</b>	2,529
Other legal and professional costs	<b>1,350</b>	1,655
	<b>86,216</b>	472,098
<b>Total adjusted items before finance costs</b>	<b>129,228</b>	527,338
<b>Within Finance costs</b>		
Non-cash - revaluation of SBM option	<b>601</b>	-
<b>Total adjusted items before tax</b>	<b>129,829</b>	527,338
Tax impact	<b>11,901</b>	3,784
<b>Total adjusted items</b>	<b>141,730</b>	531,122

*Transportation, delivery and fulfilment costs in relation to Covid-19*

Covid-19 has had a direct and measurable impact on the Group's cost to fulfil delivery of goods to customers across its global network, through reduced commercial flights and closures of key shipping lanes. The additional cost to complete these deliveries has been recognised as an adjusted item, and while there is uncertainty around the length of disruption the pandemic will have on global supply chains, the Group does not consider this to be a recurring cost. The costs incurred were as a result of the following:

- In order to maintain the Group's pre Covid-19 levels of customer experience, the Group had to address the challenges caused by commercial flights being reduced during the pandemic to minimal levels. The Group secured THG exclusive chartered flights in order to be able to uphold its service levels, generating an identifiable increase in costs versus non-exclusive passenger flights, which were used pre Covid-19.
- Our delivery partners passed on to the Group additional surcharges specifically identified on invoices as a response to operating during the pandemic.
- Due to the impact of Covid-19, a number of key supply routes were disrupted or closed. This necessitated identifying and sourcing alternative viable routes to fulfil the obligations on the Group to serve its customers, which created identifiable external costs relating to alternative routes that had to be taken due to the impact of Covid-19 on the Group's courier and logistics providers ability to operate in the pandemic.

*Commissioning - new facilities*

The Group has embarked on a strategic project to transform the Group's global infrastructure footprint and capability, moving away from the smaller sized facilities which were fit for purpose in the past, into larger purpose-built distribution facilities to support the strategic objectives of the Group.

Under this project, the Group has commissioned a number of these purpose-built facilities over the years, including a campus at Manchester Airport, UK ("Icon") and New Jersey, US. Work on the Icon facility began in August 2020 and is ongoing with an expected completion date of August 2022. The New Jersey project began in April 2021 and went live in November 2021.

Due to the scale and complexity of these sites, commissioning of these facilities and integration into the Group's existing distribution network can span more than one accounting period, taking up to 18 months in total for a specific site, a relatively short period compared to the useful economic life of the asset. During the commissioning and integration period, costs relating to the set-up, integration and testing of the new facilities are included within adjusted items as these costs are not expected to be recurring for each specific site and do not reflect the underlying cost base of the Group. Such costs include:

- Additional costs are incurred relating to the period of testing and commissioning that is required to ensure a facility is operating as expected. Such costs are non-underlying and therefore included within adjusting items;
- Costs relating to the migration of production operations and processes to the new sites as part of this expansion of the fulfilment network include testing of new production processes and resolution of any commissioning protocols required before production is fully operational;
- Bulk internal warehouse transfers from existing THG facilities are often required during the set-up/commissioning period for a new facility. These costs are non-underlying in nature; and
- Additional shipping costs are incurred when the products within a single customer order is fulfilled by shipping from two different warehouses, due to stock being split across two sites during the commissioning period for a new facility. This results in duplicated postage costs on a single order.

The costs above are identified through internal processes and controls which isolate the impact of commissioning new facilities. For some of these costs, the amounts included within adjusted items are calculated by taking the excess costs per unit

versus the normalised rate, which is set based on historical information or third-party data.

Further material charges are anticipated as the respective projects are completed, the quantum of which is subject to change throughout the project as unforeseen events arise through to completion. Of the projects open as of year-end, the material commissioning costs relate to the new warehouse facilities across the Group. The commissioning costs remain ongoing and are expected to be completed in H1 of 2022. Although a cost in both 2020 and 2021, it relates to different sites and therefore, is not deemed to be a recurring cost as these are costs incurred on new sites in 2021.

#### *Decommissioning - legacy facilities*

As the Group's larger purpose-built facilities have become fully operational, the Group has exited its legacy warehouses swiftly to minimise excess capacity and cost. There is commonly a period of overlap of operations of both a legacy warehouse and the new facility designed to replace it, and duplicated costs are recorded as adjusted items as they do not reflect the underlying cost base of the Group.

The costs associated with the decommissioning and closure of these facilities, from the period they are deemed to be surplus to the closure/exit date, are included within adjusted items. These costs are not expected to be recurring however they can span accounting periods. There are no decommissioning costs in the current period.

#### *Share-based payments*

The Group operates share-based compensation plans, under which the Group receives services from employees as consideration for equity instruments (options or growth shares) of the Company. The fair value of the employee services received in exchange for the grant of the equity instruments is recognised as an expense and included within adjusted items. Due to the nature of these schemes, they can run over multiple years and can be considered to be recurring. The charge relating to share-based payments has been treated as an adjusting item as the underlying driver for the share awards (e.g. the IPO) is also an adjusting item. There are no share-based payment charges in the current period and any future charges will not be considered adjusting items.

#### *Restructuring costs*

In 2021 the Group committed to undertaking a review of its corporate structure as part of the intended separation of its key business units. The Group incurred costs in relation to the divisional separation of £7.5m. This is expected to be completed in H1 FY22 with costs being incurred until the end of FY22.

In 2020 the Group undertook a number of restructuring actions in order to prepare the Group for Admission onto the London Stock Exchange. These actions were focused on simplification of the Group structure. The Group also incurred costs in relation to the IPO listing in September 2020 which include legal and professional fees and listing fees. The IPO related costs are material, non-recurring expenditure, as a result of the Group's listing on the London Stock Exchange and have therefore been presented within adjusted items.

#### *Impairment*

##### *Impairment of assets within Experience, Luxury and OnDemand divisions*

In May 2021, the Group set out its intention to commence a separation of its key business units within a timeframe of fifteen calendar months. The separation, when complete, will involve the establishment of several subgroups of companies to cover each business unit. At the date of signing the annual report, this exercise remains ongoing.

A one off, non-cash impairment of £53.0m has been recognised in respect of THG Experience, THG Luxury and THG OnDemand business units. For THG Experience, this relates to sites within the portfolio which are under construction at the year end. For THG Luxury and THG OnDemand this has arisen due to the recoverable amount being reviewed at a more granular level than was previously possible following the commencement of the separation of the business units. There were no impairments identified within THG Beauty, THG Nutrition and THG Ingenuity.

##### *Impairment of certain intangible and tangible assets associated with Software-as-a-service arrangements*

The Group hold various arrangements for SaaS solutions. Given the IFRIC agenda decision, the Group has chosen to update its accounting treatment and policy for IAS 38 Intangible Assets accordingly.

We have determined that £3.0 million of SaaS related costs no longer meet the criteria for recognition as an asset under IAS 38. Accordingly, this amount has been expensed in full and has been disclosed as an adjusting item because it arises from the one off introduction of interpretations to accounting guidance.

##### *Impairment on assets held for sale and sale and leaseback charges*

In the prior year Impairments of £64.5m were recognised. As the Covid-19 lockdown in the UK significantly impacted the hospitality and leisure sector, management reviewed both the value-in-use and the market value of King Street Hotel and Great John Street Hotel. Within 2020, a £29.4m impairment loss was recognised in respect of these hotels. This is a non-cash charge that will not recur. Following this, these hotels and a number of the Group's freehold properties were being marketed for sale. These properties were required to be treated as held for sale assets in line with IFRS 5 'Non-current assets held for sale and discontinued operations'. As a result of this, the Group recognised an impairment for the difference between the fair value of the assets held for sale and their historic carrying value.

The need for the impairment was driven by construction obligations to complete the build of some properties to the required specification, resulting in a £35.1m impairment. Subsequently all these assets were disposed of on 11 September 2020 as part of the Propco divestment. The remainder of the charge relates to sale and

leaseback transactions. This reflects a reduction in the right-of-use asset held in accordance with IFRS 16 and is driven by the derecognition of freehold assets, that have been replaced with leases which have a shorter useful economic life. These were non-cash one-off impairment charges on these properties.

There have not been any such impairments in 2021.

#### *Donations and other Covid-19 related costs*

As part of its Covid-19 response, the Group made several charitable donations, totalling £1.1m for the year ended 31 December 2021. In 2020, £6.6m including £1.0m in cash were donated to Manchester charities, with the remainder relating to additional costs incurred as part of making the business Covid-19 secure (temperature sensors, PPE etc) for its people and customers. This is expected to be non-recurring.

#### *Acquisitions - restructuring and integration*

Where the Group completes acquisitions, it derives value by achieving synergies in the post-acquisition period by restructuring the acquired businesses and integrating them into the Group. During this restructuring and integration phase there are a number of non-recurring costs incurred by the Group which are classified as adjusted items. These costs include, but are not limited to:

- Duplicated costs whilst the integration plan is executed. These often relate to termination of pre-acquisition agreements that were in place and exit costs associated (such as closure of old facilities or head offices);
- As part of the integration plan itself, additional non-recurring costs may be incurred which do not relate to the underlying trading operations of the Group, including, but are not limited to, system integration testing and validation, costs of moving equipment to new sites and department relocation or set-up costs; and
- Costs of staff exiting the business, including redundancy costs, earnouts or bonus payments relating to the integration plan. Integration plans can often result in moving offices geographically, a change in management structure or redefining the roles and needs of departments or individuals. As a result, some employee redundancy costs are incurred. Payments are also made to employees for successful delivery of integration plans.

Depending on the size and nature of the acquisition and the complexity of the integration plan, acquisition restructuring and integration costs can be incurred for up to 12 months post acquisition.

#### *Acquisitions - legal and professional costs*

The Group periodically considers and analyses potential acquisition targets and recognises there is inherent complexity and risk associated with acquisitions. The Group manages this by employing external professional advisors to perform legal, financial, commercial and tax due diligence on targets. These costs relate to opportunities the Group identifies and pursues, of which a portion result in successful acquisitions by the Group. Such legal and professional costs are classified as adjusting items as they relate to significant strategic transactions and, except for the transactions in question, the business would not have incurred these costs and as a result these costs are deemed to be non-recurring costs that do not relate to the underlying trading operations of the business.

#### *Other legal and professional costs*

The Group incurs legal and professional costs that are non-recurring, one-off in nature and not related to trading activities. These costs are included as adjusted items and can include, but are not limited to, costs associated with equity raises that occurred before the IPO, and other fees associated with investor activities.

#### *Non-cash - revaluation of SBM option*

In 2021, the Group has recognised a £0.6m charge in relation to the valuation of the call option entered into with SBM, that allows them to invest directly into a 19.9% stake in THG Ingenuity for \$1.6bn. This implies a value of \$6.3bn (£4.5bn) for THG Ingenuity. This is a derivative instrument, an option that holds value for SBM and consequently falls under the provisions of IFRS 9 'Financial Instruments'. The liability represents the difference between the fair value of the call option today, and its value at grant date. Given the upside opportunity for SBM and the value in the derivative, the option represents an asset to SBM and a liability on the Group's balance sheet. This is a qualitatively material, non-recurring transaction and thus the valuation effects of this option have been presented as an adjusted item.

## **5. Share-based payments**

The Group has previously operated share-based compensation plans. Due to the strong performance of the Group stock on the London Stock Exchange post IPO, all the share schemes detailed below vested in full during 2020. There are no active schemes as at 31 December 2021. Prior to vesting, at each balance sheet date, the Group revised its estimate of the number of options and shares expected to vest upon the satisfied completion of the specific vesting conditions and the vesting period.

The fair value of the employee services received in exchange for the grant of the equity instruments was recognised as an expense in adjusted items in 2020.

All the share-based compensation plans were equity-settled and valued by a Monte Carlo simulation. The details of these plans are given below:

#### *2017 growth share scheme - Ordinary shares:*

A Long-term Incentive Plan (LTIP) was introduced during 2018. Under this scheme, the Group issued equity settled management shares. The scheme was only exercisable on an exit (non-market condition), had EPS targets based on adjusted EBITDA (non-market performance condition), and had an exit hurdle price (market condition). The scheme had a service condition requiring employees to remain in employment for three years

from grant until the date each of the EBITDA targets is met. In 2020, these shares vested fully, triggered by the IPO.

A new scheme, across 3 new share classes, was issued in 2020 prior to the IPO, subject to a post IPO market capitalisation hurdle of £6.5bn rising to £7.25bn. In 2020, the scheme shares fully vested, triggered by share price increases achieved after the IPO.

*F ordinary shares:* under this scheme, the Group issued equity-settled management shares. The scheme runs over 3 years to 2022, vesting equally across those 3 years as EBITDA targets are met. The scheme also contained a hurdle that vested all the shares in the event of an IPO that attained a market capitalisation of greater than £5.25bn.

*G ordinary shares:* this scheme represents equity-settled management shares that vest over a 3 year period to 2022 based on market capitalisation targets, starting at 75% vested at a market capitalisation of £6.5bn, and further vesting in 8.3% increments each £0.25bn of further market capitalisation.

*H ordinary shares:* this scheme represents equity settled management shares, that vest based on the £6.5bn market capitalisation hurdle noted above.

## 6. Finance income and cost

	2021	2020
	£'000	£'000
Finance income		
Bank interest receivable	323	205
Derivative financial instrument	300	-
	<b>623</b>	205
Finance costs		
Bank interest payable and charges	36,496	48,491
Interest on lease liabilities	12,350	4,521
Revaluation of SBM option	601	-
	<b>49,447</b>	53,012

## 7. Business combinations

Details of the acquisitions are as follows:

Business	Country of incorporation	Nature of activity	Date of acquisition	Consideration £'000	Percentage ownership
Dermstore	USA	Professional skincare online retailing	2 February 2021	260,898	100%
Indigo Environmental	England and Wales	Recycling provider	3 March 2021	6,316 <sup>a</sup>	100%
Arrow Films	England and Wales	Motion picture distribution activities	5 March 2021	18,490 <sup>b</sup>	100%
More Trees	England and Wales	Tree planting	1 April 2021	3,227 <sup>c</sup>	100%
Private Label Nutrition	England and Wales	Vitamin, mineral and supplement manufacturer	16 April 2021	2,667	100%
Preston Plastics	England and Wales	Recycling provider	27 April 2021	18,881 <sup>d</sup>	100%
Brighter Foods	England and Wales	Manufacturing and developing cold-pressed and cold form snack bars	11 May 2021	43,800 <sup>e</sup>	100%
Bentley Laboratories	USA	Prestige skincare and haircare manufacturing	15 June 2021	179,956	100%
Cult Beauty	England and Wales	Online beauty retailer	03 August 2021	291,302	100%

a. Includes £1.8m of contingent consideration dependent upon performance targets post acquisition

b. Includes £3.0m of contingent consideration dependent upon performance targets post acquisition

c. Includes £2.7m of contingent consideration dependent upon performance targets post acquisition

d. Includes £6.0m of contingent consideration dependent upon performance targets post acquisition

- e. Includes £1.2m of contingent consideration dependent upon performance targets post acquisition

The Group also paid £0.6m on 28 July 2021 for the trade and certain assets of Morvélo, a retailer of cycling clothing.

#### Reason for business combination

Dermstore, Cult Beauty and Bentley Laboratories expand THG's presence in the beauty sector with globally recognised brands, including in the US market and also provide in-house skincare and haircare new product development capabilities and manufacturing.

Brighter Foods and Private Label Nutrition enhance THG's vertical integration strategy with the production and retail of bars, vitamins, minerals and supplements and will accelerate future development in this area.

Indigo Environmental, Preston Plastics and More Trees form part of THG Eco and are part of THG's strategy to off-set THG's existing usage and footprint and to enhance THG's processing capabilities to provide sustainability solutions and consulting to THG's suppliers, partners and customers.

Arrow Films will facilitate THG's vertical integration of retail and wholesale physical film content as well as providing digital opportunities and growth potential in this area.

#### Contingent consideration

The contingent consideration arrangements require the Group to pay the former owners based on performance targets post acquisition. The potential undiscounted amount of all future payments that the Group could be required to make under the contingent consideration arrangements is between £nil and £19.3m. The performance targets are based on EBITDA or revenue.

The fair value of the contingent consideration arrangements of £14.7m was estimated by applying the probability of the hurdles being reached. The fair value estimates are based on an assumed probability of 76%.

The following intangible assets were recognised at acquisition:

	<i>Dermstore</i>	<i>Indigo</i>	<i>Arrow</i>	<i>More</i>	<i>Private</i>	<i>Preston</i>	<i>Brighter</i>	<i>Bentley</i>	<i>Cult</i>	<i>Total</i>
		<i>Environmental</i>	<i>Films</i>	<i>Trees</i>	<i>Label</i>	<i>Plastics</i>	<i>Foods</i>	<i>Laboratories</i>	<i>Beauty</i>	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Intangible assets - brands	216,949	180	3,000	-	228	488	1,200	19,989	252,702	494,736
Intangible assets - customer lists	-	493	5,700	-	1,001	2,596	24,700	26,014	-	60,504
Intangibles - other intellectual property	-	-	-	-	-	-	-	3,119	-	3,119
Deferred tax	(56,407)	(156)	(2,078)	-	(290)	(731)	(6,315)	(12,771)	(61,744)	(140,492)
<b>Total fair value on acquisition</b>	<b>160,542</b>	<b>517</b>	<b>6,622</b>	<b>-</b>	<b>939</b>	<b>2,353</b>	<b>19,585</b>	<b>36,351</b>	<b>190,958</b>	<b>417,867</b>

The amounts recognised in respect of the fair value of identifiable assets acquired and liabilities assumed are as set out in the table below. The exercise to determine the fair value of the acquired assets and liabilities is complete, however this will continue to be reviewed within the twelve-month post acquisition measurement period and therefore remains provisional at the date of approval of these financial statements.

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

	<i>Dermstore</i>	<i>Indigo</i>	<i>Arrow</i>	<i>More</i>	<i>Private</i>	<i>Preston</i>	<i>Brighter</i>	<i>Bentley</i>	<i>Cult Beauty</i>	<i>Total</i>
		<i>Environmental</i>	<i>Films</i>	<i>Trees</i>	<i>Label</i>	<i>Plastics</i>	<i>Foods</i>	<i>Laboratories</i>		
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Intangible assets	216,949	673	8,700	-	1,229	3,084	25,900	49,122	252,702	558,359
Property, plant and equipment	-	1,439	50	-	598	3,462	5,045	5,301	1,078	16,973
Right-of-use asset	3,969	1,191	136	-	392	44	60	14,986	4,459	25,237
Inventories	18,016	275	811	-	508	93	2,695	14,840	14,592	51,830
Trade and other receivables	1,558	1,294	2,086	-	131	1,471	1,378	10,746	3,773	22,437
Cash and cash equivalents	9,698	572	7,479	11	477	178	2,646	703	20,595	42,359
Trade and other	(18,819)	(1,107)	(5,178)	(32)	(611)	(520)	(2,652)	(9,703)	(27,263)	(65,885)

payables										
Lease liabilities	(3,670)	(672)	(113)	-	(320)	(44)	-	(14,263)	(3,806)	<b>(22,888)</b>
Provisions	(298)	(519)	(22)	-	(72)	-	(60)	(723)	(654)	<b>(2,348)</b>
Deferred tax	(57,142)	(396)	(2,078)	-	(290)	(1,149)	(6,630)	504	(62,757)	<b>(129,938)</b>
<b>Net assets acquired</b>	<b>170,261</b>	<b>2,750</b>	<b>11,871</b>	<b>(21)</b>	<b>2,042</b>	<b>6,619</b>	<b>28,382</b>	<b>71,513</b>	<b>202,719</b>	<b>496,136</b>
<b>Goodwill</b>	90,637	3,566	6,619	3,248	625	12,262	15,418	108,443	88,583	<b>329,401</b>
<b>Purchase consideration</b>	260,898	6,316	18,490	3,227	2,667	18,881	43,800	179,956	291,302	<b>825,537</b>
<b>Transactions costs</b>	<b>2,430</b>	<b>237</b>	<b>336</b>	<b>182</b>	<b>198</b>	<b>547</b>	<b>781</b>	<b>1,245</b>	<b>3,518</b>	<b>9,474</b>

Purchase consideration in total was £825.5m, which comprised of cash totalling £810.8m plus contingent consideration totalling £14.7m. Transaction costs comprise mainly of advisor fees, including financial, tax and legal due diligence costs and these are included in acquisition - legal and professional costs in adjusted items in note 4.

### Goodwill

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 platform. This will support existing operations. In the case of Bentley Laboratories, includes the expertise and skillset of the workforce which will lead to a further enhancement of our presence in the divisions in which the Group operate. Bentley has an industry-leading research and development team of 25 who are at the forefront of its clients' innovation strategies, with over 650 unique formulations and over 700 new product launches since 2017. The Goodwill for Cult Beauty and Dermstore also includes a significant amount for the expertise and skillset of the workforce, reflecting the existence of a well-trained, organised and efficient workforce of over 200 people for Cult Beauty and approximately 100 for Dermstore. The Goodwill for all acquisitions apart from Bentley Laboratories is not deductible for tax purposes.

Cash flows arising from the acquisitions were as follows:

	Dermstore	Indigo Environmental	Arrow Films	More Trees	Private Label Nutrition	Preston Plastics	Brighter Foods	Bentley Laboratories	Cult Beauty	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Purchase consideration	260,898	6,316	18,490	3,227	2,667	18,881	43,800	179,956	291,302	<b>825,537</b>
Contingent consideration	-	(1,750)	(3,000)	(2,738)	-	(6,000)	(1,200)	-	-	<b>(14,688)</b>
Cash and cash equivalents acquired	(9,698)	(572)	(7,479)	(11)	(477)	(178)	(2,646)	(703)	(20,595)	<b>(42,359)</b>
<b>Net cash flows</b>	<b>251,200</b>	<b>3,994</b>	<b>8,011</b>	<b>478</b>	<b>2,190</b>	<b>12,703</b>	<b>39,954</b>	<b>179,253</b>	<b>270,707</b>	<b>768,490</b>

Amounts of revenue of the acquirees since the acquisition date included in the consolidated statement of comprehensive income for the reporting period, and the revenue of the combined entities for the current reporting period as though the acquisition date for all business combinations that occurred during the year had been acquired at the beginning of the annual reporting period are as follows:

£'000	Revenue contributed in year of acquisition	Full year revenue in year of acquisition
Dermstore	148,672	160,601
Arrow	14,149	16,275
THG Eco*	8,693	10,869
Private Label Nutrition	1,809	2,877
Brighter Foods	10,877	17,755
Bentley Labs	32,000	57,780
Cult Beauty	71,923	174,169

\*THG Eco includes More Trees, Preston Plastics and Indigo Environmental

The profit before tax contributed in the year of acquisition and in the full year of acquisition has not been disclosed. Following acquisition, the entities are fully integrated into THG utilising the Shared Service Centre, operating platform and supply chain. As such the profit before tax metric information is not readily available at this level.

During 2021, the Group has concluded on the fair value of the net assets in respect of acquisitions completed in 2020, resulting in a decrease of £0.7m in net assets and a

corresponding increase in goodwill.

## 8. Intangible assets

	Goodwill £'000	Platform development costs £'000	Intellectual property £'000	Brands £'000	New Product Development £'000	Total £'000
<b>Cost or valuation</b>						
<b>At 1 January 2020</b>	<b>370,684</b>	<b>139,937</b>	<b>93,168</b>	<b>103,214</b>	<b>2,576</b>	<b>709,579</b>
Additions	1,115	39,917	21,857	743	2,189	65,821
Business combinations (note 7)	51,827	-	32,884	6,544	-	91,255
Currency translation differences	(1,942)	(112)	(1,160)	(331)	-	(3,545)
<b>At 31 December 2020</b>	<b>421,684</b>	<b>179,742</b>	<b>146,749</b>	<b>110,170</b>	<b>4,765</b>	<b>863,110</b>
<b>At 1 January 2021</b>	<b>421,684</b>	<b>179,742</b>	<b>146,749</b>	<b>110,170</b>	<b>4,765</b>	<b>863,110</b>
Additions	78	47,587	24,135	2,559	3,710	78,069
Business combinations (note 7)	329,401	-	63,623	494,736	-	887,760
Transfers	-	(6,919)	1,474	(1,474)	195	(6,724)
Disposals	-	(1,611)	(41,249)	(566)	-	(43,426)
Currency translation differences	3,919	28	2,858	1,933	1	8,739
<b>At 31 December 2021</b>	<b>755,082</b>	<b>218,827</b>	<b>197,590</b>	<b>607,358</b>	<b>8,671</b>	<b>1,787,528</b>
<b>Accumulated amortisation</b>						
<b>At 1 January 2020</b>	<b>270</b>	<b>75,265</b>	<b>44,092</b>	<b>12,521</b>	<b>631</b>	<b>132,779</b>
Amortisation	-	28,451	18,309	9,745	734	57,239
Currency translation differences	-	(276)	(780)	(145)	-	(1,201)
<b>At 31 December 2020</b>	<b>270</b>	<b>103,440</b>	<b>61,621</b>	<b>22,121</b>	<b>1,365</b>	<b>188,817</b>
<b>At 1 January 2021</b>	<b>270</b>	<b>103,440</b>	<b>61,621</b>	<b>22,121</b>	<b>1,365</b>	<b>188,817</b>
Amortisation	-	36,894	35,921	24,682	1,536	99,033
Transfers	-	(3,438)	-	-	-	(3,438)
Impairment loss	33,359	1,759	4,637	-	-	39,755
Disposals	-	(1,568)	(41,249)	(566)	-	(43,383)
Currency translation differences	-	(4)	420	36	-	452
<b>At 31 December 2021</b>	<b>33,629</b>	<b>137,083</b>	<b>61,350</b>	<b>46,273</b>	<b>2,901</b>	<b>281,236</b>
<b>NBV</b>						
At 1 January 2020	370,414	64,672	49,076	90,693	1,945	576,800
At 31 December 2020	421,414	76,302	85,128	88,049	3,400	674,293
<b>At 31 December 2021</b>	<b>721,453</b>	<b>81,744</b>	<b>136,240</b>	<b>561,085</b>	<b>5,770</b>	<b>1,506,292</b>

Included within Intellectual property is £3.3m (2020: £2.5m) of capitalised costs incurred to obtain a contract with a customer. The costs relate to sales commissions paid to sales personnel upon initial acquisition of a customer contract. Amortisation of £0.6m (2020: £0.3m) was recognised in the period in relation to these assets.

## 9. 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
<b>Cost</b>						
<b>At 1 January 2020</b>	<b>2,510</b>	<b>79,702</b>	<b>71,216</b>	<b>68,136</b>	<b>220,225</b>	<b>441,789</b>
Additions	320	27,860	13,513	13,609	161,653	216,955

Business combinations	-	1,383	169	25	20	<b>1,597</b>
Currency translation differences	-	(374)	(169)	(1,257)	1,204	<b>(596)</b>
Disposals	(775)	(38,491)	(10,294)	(13,571)	(279,351)	<b>(342,482)</b>
<b>At 31 December 2020</b>	<b>2,055</b>	<b>70,080</b>	<b>74,435</b>	<b>66,942</b>	<b>103,751</b>	<b>317,263</b>
<b>At 1 January 2021</b>	<b>2,055</b>	<b>70,080</b>	<b>74,435</b>	<b>66,942</b>	<b>103,751</b>	<b>317,263</b>
Additions	119	45,277	36,125	28,667	15,991	<b>126,179</b>
Business combinations	213	11,877	765	738	3,380	<b>16,973</b>
Transfers	-	-	-	6,722	-	<b>6,722</b>
Currency translation differences	(1)	(541)	(859)	(44)	131	<b>(1,314)</b>
Disposals	(54)	(245)	(3,016)	(2,551)	(250)	<b>(6,116)</b>
<b>At 31 December 2021</b>	<b>2,332</b>	<b>126,448</b>	<b>107,450</b>	<b>100,474</b>	<b>123,003</b>	<b>459,707</b>
<b>Accumulated depreciation</b>						
<b>At 1 January 2020</b>	<b>1,430</b>	<b>32,436</b>	<b>19,878</b>	<b>24,294</b>	<b>8,052</b>	<b>86,090</b>
Depreciation	317	13,552	7,803	8,466	3,675	<b>33,813</b>
Impairment	-	-	-	-	29,367	<b>29,367</b>
Currency translation differences	-	(152)	(125)	(1,009)	2	<b>(1,284)</b>
Disposals	(652)	(36,798)	(7,114)	(13,273)	(13,107)	<b>(70,944)</b>
<b>At 31 December 2020</b>	<b>1,095</b>	<b>9,038</b>	<b>20,442</b>	<b>18,478</b>	<b>27,989</b>	<b>77,042</b>
<b>At 1 January 2021</b>	<b>1,095</b>	<b>9,038</b>	<b>20,442</b>	<b>18,478</b>	<b>27,989</b>	<b>77,042</b>
Depreciation	250	11,623	6,833	17,174	2,389	<b>38,269</b>
Impairment	-	5,533	2,555	1,224	67	<b>9,379</b>
Transfers	-	-	-	3,438	-	<b>3,438</b>
Currency translation differences	-	242	(147)	26	67	<b>188</b>
Disposals	(54)	(251)	(1,344)	(2,330)	(250)	<b>(4,229)</b>
<b>At 31 December 2021</b>	<b>1,291</b>	<b>26,185</b>	<b>28,339</b>	<b>38,010</b>	<b>30,262</b>	<b>124,087</b>
<b>NBV</b>						
At 1 January 2020	1,080	47,266	51,338	43,842	212,173	355,699
At 31 December 2020	960	61,042	53,993	48,464	75,762	240,221
<b>At 31 December 2021</b>	<b>1,041</b>	<b>100,263</b>	<b>79,111</b>	<b>62,464</b>	<b>92,741</b>	<b>335,620</b>

## 10. Inventories

	2021	2020
	£'000	£'000
Goods held for resale	<b>378,605</b>	247,841
Raw materials	<b>80,542</b>	46,554
Goods in transit	<b>7,634</b>	8,283
	<b>466,781</b>	302,678

Goods in transit relate to goods whose control is still to be transferred to the customers as of the reporting date. The cost of inventories recognised as an expense and included in cost of sales amounted to £891.2m (2020: £884.0m). The value of inventories written down and recognised as an expense in the statement of comprehensive income in the year was £7.6m (2020: £3.3m). Within goods held for resale is a £3.0m (2020: £2.6m) right to recover asset which represents the carrying value of inventory expected to be received back from customers as returns.

## 11. Trade and other receivables

	2021	2020
	£'000	£'000
Trade receivables	<b>119,567</b>	76,643
Less: loss allowance	<b>(2,268)</b>	(1,945)
<b>Net trade receivables</b>	<b>117,299</b>	74,698



Prepayments	21,372	14,757
Accrued income	58,329	45,414
Other taxation and social security	26,883	39,164
Other receivables	40,046	72,513
	<b>263,929</b>	<b>246,546</b>

Trade and other receivables are principally denominated in Sterling.

## 12. Cash and cash equivalents

	2021	2020
	£'000	£'000
Cash and cash equivalents	<b>536,827</b>	773,581

Cash and cash equivalents includes £12.5m (2020: £26.5m) of amounts receivable from banks for credit and debit card transactions, which clear the bank shortly after the transaction takes place.

## 13. Trade and other payables

	2021	2020
	£'000	£'000
Trade payables	<b>297,539</b>	254,637
Accruals	<b>326,957</b>	220,415
Other taxation and social security	<b>28,259</b>	18,577
Other payables	<b>6,160</b>	3,001
Government grants	<b>2,592</b>	2,518
Contingent consideration on acquisitions	<b>15,056</b>	550
	<b>676,563</b>	499,698

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

Contingent consideration on acquisitions is measured at fair value using unobservable inputs (level 3 of the fair value hierarchy). The unobservable inputs used in the fair value calculation include internal data such as forecasts, budgets and actual results to date. The fair values are sensitive to changes in EBITDA or revenue given that these key metrics are what the performance targets are based on.

Included within trade creditors is £42.3m due to suppliers that participate in the Group's supply chain financing agreement. The agreement does not change the suppliers agreed payment terms directly with the Group.

## 14. Interest bearing loans and borrowings

		2021	2020
	Note	£'000	£'000
<b>Current</b>			
Bank borrowings		<b>752</b>	1,871
Lease liabilities	15	<b>43,342</b>	28,911
		<b>44,094</b>	30,782
<b>Non-current</b>			
Bank borrowings		<b>489,113</b>	524,288
Lease liabilities	15	<b>305,831</b>	207,274
		<b>794,944</b>	731,562

Bank borrowings relate predominantly to the 7-year Euro term loan B and undrawn 5-year revolving credit facility. The revolving credit facility is provided by Barclays, HSBC, BNP Paribas, NatWest, Citibank, JPM and Santander. The term loan B carried an interest rate of 4.50% plus EURIBOR and the revolving credit facility 3.75% plus LIBOR. The floating element of the term loan B is hedged by interest rate derivatives.

Management notes that EURIBOR is being reformed as a benchmark rate and are in dialogue with its lending and hedging partners to minimise the impact on the Group as transition occurs.

If interest rates moved by 10bps, the Group's loss before tax would be c.£1.9m higher / lower, and the subsequent move on the derivative valuation would cause equity to be c. £1.0m higher / lower as a result of the same move.

Net debt consists of loans and lease liabilities, less cash and cash equivalents, defined as referenced in note 15. For the purpose of the Group's net debt calculation, loans that are denominated in foreign currency are translated at the effective hedged rate where applicable. Net cash / (debt) is an alternative performance measure and is not defined under IFRS. A reconciliation to the most directly comparable IFRS measure is included below:

	2021	2020
	£'000	£'000
Loans and other borrowings	(489,865)	(526,159)
Lease liabilities	(349,173)	(236,185)
Cash and cash equivalents	536,827	773,581
<b>Sub-total</b>	<b>(302,211)</b>	11,237
<b>Adjustments:</b>		
Retranslate debt balance at swap rate where hedged by foreign exchange derivatives	(2,548)	35,403
<b>Net (debt) / cash</b>	<b>(304,759)</b>	46,640
<b>Net cash before leases liabilities</b>	<b>44,414</b>	282,825

## 15. Leases

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

	Motor vehicles £'000	Plant and machinery £'000	Computer equipment and software £'000	Land and buildings £'000	Total £'000
<b>As at 1 January 2020</b>	<b>537</b>	<b>845</b>	<b>16</b>	<b>36,575</b>	<b>37,973</b>
Additions	179	154	-	183,144	183,477
Depreciation (note 3)	(164)	(328)	(16)	(13,734)	(14,242)
Lease modifications	-	-	-	2,019	2,019
Disposals	-	-	-	(15,335)	(15,335)
Currency translation differences	(13)	(6)	-	14	(5)
<b>As at 31 December 2020</b>	<b>539</b>	<b>665</b>	<b>-</b>	<b>192,683</b>	<b>193,887</b>
<b>As at 1 January 2021</b>	<b>539</b>	<b>665</b>	<b>-</b>	<b>192,683</b>	<b>193,887</b>
Additions	44	-	6	156,467	156,517
Depreciation (note 3)	(172)	(274)	(4)	(31,759)	(32,209)
Lease modifications	-	-	-	(427)	(427)
Disposals	-	-	-	-	-
Impairment	-	-	-	(6,856)	(6,856)
Currency translation differences	(33)	(17)	-	(580)	(630)
<b>As at 31 December 2021</b>	<b>378</b>	<b>374</b>	<b>2</b>	<b>309,528</b>	<b>310,282</b>

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

	2021 £'000	2020 £'000
<b>As at 1 January</b>	<b>236,185</b>	38,465
Additions	137,601	223,896
Accretion of interest	12,350	4,521
Payments	(36,216)	(17,206)

Lease modifications	(443)	2,019
Disposals	-	(15,308)
Currency translation differences	(304)	(202)
<b>As at 31 December</b>	<b>349,173</b>	<b>236,185</b>
Current	43,342	28,911
Non-current	305,831	207,274

The Group had total cash outflows for leases of £36.2m in 2021 (2020: £17.2m).

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

	2021 £'000	2020 £'000
Depreciation expense on right-of-use assets	32,209	14,242
Interest expense on lease liabilities	12,350	4,521
	<b>44,559</b>	<b>18,763</b>

## 16. Earnings per share

The following table reflects the income and share data used in the basic and diluted EPS calculations:

	2021	2020
Loss for the financial year (£'000)	(138,074)	(532,629)
Weighted average number of ordinary shares for basic EPS	1,099,043,113	804,280,441
Basic and Diluted EPS (£'s)	(0.13)	(0.66)

The basic loss per share has been calculated by dividing the loss attributable to the Group by the weighted average number of ordinary shares in issue.

The diluted loss per share has been calculated by adjusting the weighted average number of shares for the effects of the D, E, F, G and H shares, assuming full vesting of all potentially dilutive shares.

There was no change in the diluted earnings per share, since the effect of all potentially dilutive shares outstanding was anti-dilutive.

## 17. Related Party Transactions

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

	£ per share	Ordinary Shares 2021 Number	Ordinary Shares 2020 Number
M J Moulding	0.005	233,441,525	135,470,561
M J Moulding	1	361	361
J A Gallemore	0.005	3,638,116	3,638,116
J A Gallemore	1	3,174	3,174
D P Murphy	0.005	14,566,016	14,566,016
D P Murphy	1	-	-
I McDonald	0.005	2,505,943	2,189,039
I McDonald	1.000	-	-
Z Byng-Thorne	1	-	750
Z Byng-Thorne	0.005	69,765	-
T Hall	0.005	33,557	-
D Sanders	0.005	21,926	-
		<b>254,280,383</b>	<b>155,868,017</b>

In addition to the shareholdings noted above, the Directors had the following interests in vested Shares issued under previous incentive arrangements at the balance sheet date. These shares carry no voting rights.

		2021	2020	2021	2020
	Date of award	Subscription/exercise price £	Subscription/exercise price £	Number	Number
M J Moulding	Dec-19	0.23	0.23	43,641,266	43,641,266
M J Moulding	Aug-20	0.33	0.33	20,197,808	20,197,808
M J Moulding	Aug-20	0.28	0.28	7,733,792	30,296,620
M J Moulding	Aug-20	0.26	0.26	-	89,612,682
J A Gallemore	Dec-19	0.23	0.23	185,476	185,476
J A Gallemore	Aug-20	0.33	0.33	2,666,963	2,666,963
J A Gallemore	Aug-20	0.28	0.28	4,000,537	4,000,537
D P Murphy	Dec-19	0.23	0.23	370,953	370,953
I McDonald	Dec-19	0.23	0.23	185,476	185,476
Z Byng-Thorne	Dec-19	0.23	0.23	-	98,673
				<b>78,982,271</b>	<b>191,256,454</b>

The Group has not provided any interest free loans to the Directors in 2021. In 2020 the Group provided £0.3m of interest free loans to the Directors for them to subscribe for shares as part of the employee benefit scheme. The share-based payments expense associated with the Directors was nil (2020: £293.6m).

During the year, 89,612,682 H Shares held by M J Moulding were paid up and converted into listed Ordinary Shares, leading to a reduction in the unpaid share capital included within other receivables (note 11) of £30.5m.

On 27 August 2020, the Group entered into a 5-year agreement on commercial terms with Moulding Capital Limited (previously named Kingsmead Holdco Limited) to provide property, facilities and project management services to the entity and its subsidiaries. This agreement generates £635,000 for the Group per annum recognised within administrative expenses.

Prior to the IPO which took place in September 2020, THG divested the Propco Group, an entity now wholly owned by the Group's CEO. The Propco Group owns property assets occupied and utilised by THG and its operating businesses.

The amounts recognised on the Group's balance sheet in relation to the leases with Propco in the year are as follows:

	2021 £'000
Right-of-use asset	218,279
Lease liability	262,797

The amounts recognised on the Group's statement of comprehensive income in relation to the leases with Propco in the year are as follows:

	2021 £'000
Depreciation arising on right-of-use assets	12,723
Expense recognised in financing costs	10,663
Impairment arising on right-of-use-assets	6,856
Impairment arising on property plant and equipment	8,156

The charge to the Group's statement of comprehensive income in 2021 for the settlement of obligations under these related party leases was £20.0m (2020: £5.7m), the table below gives further detail around the leases in place:

Number of properties	Residual lease term date divestment	Rent per annum £'000	FY21 rent £'000
9	0-5 years	962	962
1	7 years	3,207	3,207
12	13-15 years	3,285	3,288
8	19-25 years	14,065	12,589
30		<b>21,519</b>	<b>20,046</b>

The following table shows the amounts receivable from or payable to Propco which are outstanding at the balance sheet date. These include balances in relation to lease agreements and where the Group has paid suppliers on behalf of the Propco Group, or vice versa. Such situations arise due to Propco suppliers using legacy details to submit invoices

or where payments are made on behalf of THG by Propco for property related costs rechargeable to THG as a tenant per lease:

Related party	2021		2020	
	Amounts owed by related parties	Amounts owed to related parties	Amounts owed by related parties	Amounts owed to related parties
	£'000	£'000	£'000	£'000
Aghoco 1442 Ltd	-	217	13	98
Icon 3 Holdco Ltd	-	-	253	-
FIC Shareco Ltd	-	-	5	-
THG HQ PropCo Ltd	-	-	30	-
Allenby Square Ltd	-	532	71	302
THG Alpha PropCo Ltd	-	192	-	20
THG Omega PropCo Ltd	-	1,243	-	1,120
THG Icon Unit 3 Propco S.à r.l.	-	296	-	267
THG Gadbrook PropCo Ltd	-	242	-	218
THG Icon Unit 4 PropCo Ltd	-	217	-	195
THG PV PropCo Ltd	-	-	-	41
THG A&A PropCo Ltd	-	241	-	217
THG GJS PropCo Ltd	-	465	-	401
THG HCC PropCo Ltd	-	355	-	315
THG KS Propco Ltd	-	225	-	269
THG Unit 3 PropCo S.à r.l.	-	-	2,310	-
Moulding Capital Limited	-	47	-	-
THG Wroclaw sp. Z.o.o	-	645	-	-
THG Icon S.à r.l	-	1,101	-	-
THG Icon Unit 2 PropCo Limited	-	953	-	-
	-	<b>6,971</b>	2,682	3,463

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