Rapid Fundings Limited

Directors' report and consolidated financial statements

Registered number 06386842

For the 52 week period ended 24 February 2013

Contents

Directors' report

The directors present their annual report and the audited financial statements for the 52 week period ended 24 February 2013 *(comparative period 52 week period ended 26 February 2012)*

Business review and principal activities

The Company was incorporated on 1 October 2007 and commenced trading on 24 October 2007, when it acquired 100% of the issued share capital of Rapid Acquisitions Limited On 24 October 2007 Rapid Fundings Limited indirectly acquired 100% of the ordinary share capital of M and M Direct Limited

The principal activity of the Company is that of a holding company The principal activity of the Group is that of a retailer

The Group is the UK's leading internet and home shopping retailer of discounted branded fashion, lifestyle and sports apparel and footwear Product is sourced directly from globally recognised brands and sold at discounts of between 40% and 90% of full high street prices

Rapid Fundings Limited's consolidated results for the period to 24 February 2013 show an operating profit of £2 0 million *(2012 loss £13 6 million)*, and a loss after tax of £8 0 million *(2012 £22 3 million)* The 2012 and 2013 operating results are significantly impacted by large non cash amortisation, impairment, interest costs and depreciation charges

In the prior year, the Group encountered a number of market and strategic issues which led to the Company's turnover decreasing by 4% A wholesale review of the business was conducted and a new strategic plan has been introduced which, along with new management has allowed the business to return to profitable growth

During the last eighteen months, the Group returned to "core" values and has carefully managed its working capital position, which has allowed Group bank debt to be reduced from £25 0 million at February 2011 to £8 0 million at February 2013 Debt prepayments totalling £17 0 million have been made - £11 0 million and £6 0 million in the years ending February 2012 and February 2013 respectively The Group's next scheduled debt repayments are now £0 5 million in February 2015 and £7 5 million in February 2016

During the year ended February 2013, Group EBITDA was £8 7 million which is less than one times the £8 0 million of residual bank debt at February 2013 Once the £5 1 million of February cash is included, the Group's ratio of bank debt to EBITDA is a very modest 0 3 times

The directors prepare and monitor progress against a number of financial and operational key performance indicators (KPIs) These measures include average order value, customer return rates, parcel/order despatch ratios, new and existing customer retention, conversion from enquiry to first order, stock working capital management and bank balance and covenant compliance The Group considers the retention of key employees to be an additional key performance indicator

In addition to the £5 1 million of cash and cash equivalent balances as of 24 February 2013 the Group also has committed revolving overdraft facilities totalling £17 0 million - £5 0 million which is available on demand and £12 0 million which is available for a maximum 120 days period to cover a seasonal working capital peak The seasonal facility is principally utilised to fund the acquisition of Christmas stock purchases which arrive during the late summer/early autumn months The directors believe committed facilities are more than adequate to meet existing requirements

After making enquiries, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts

The statement of financial position on page 9 of the financial statements shows the Group's financial position as at 24 February 2013

Directors' report *(continued)*

Principal risks and uncertainties

The principal risk to the continued growth of the Group is its ability to continue to find and recruit new customers To manage this risk and help sustain its growth, the Group continues to professionalise and drive the Group's customer acquisition and retention strategies Results from this and other initiatives have so far delivered their financial and non financial targets

Environment

The Group recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to mitigate any adverse impact that might be caused by its activities

Proposed dividend

The directors do not recommend payment of a dividend *(2012 £Nil)*

Directors

The directors who held office during the period and subsequently were as follows

MA Tomkins	(non-executive chairman)
J Brown	(appointed 2 July 2012)
CD Harle	
S Hill	
C Parkin	(non-executive)
R Morris	
G Benson	
L Miles	(appointed 1 March 2013)
JM Seigler	(non-executive)

Political and charitable contributions

The group made no political contributions during the period *(2012 £Nil)*

Donations to UK charities amounted to £97,000 *(2012 £107,000)*

Employees

Details of the number of employees and related costs can be found in note 5 to the financial statements

Applications for employment by disabled persons are considered fully, bearing in mind the aptitudes of the applicant concerned In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees

The Group actively keeps employees informed on matters relevant to them as employees through appropriate means, such as communication of the mission/high level business strategy, weekly communication bulletins and other updates as necessary

Research and development

The Group continues to develop software for its continued growth into new markets

Financial instruments

The Group's use of financial instruments and financial risk management practices are discussed in note 20 to the financial statements

Directors' report *(continued)*

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware, and each director has taken all the steps that they ought to have taken as a director to make them aware of any relevant audit information and to establish that the Company's auditor is aware of that information

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be re-appointed and KPMG LLP will, therefore, continue in office

On behalf of the board

CD Harle
Secretary and Director

Clinton Road
Leominster
Herefordshire
HR6 0SP

25 April 2013

Statement of directors' responsibilities in respect of the directors' report and the financial statements

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare group and parent company financial statements for each financial year Under that law they have elected to prepare both the group and the parent company financial statements in accordance with IFRSs as adopted by the EU and applicable law

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period In preparing each of the group and parent company financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether they have been prepared in accordance with IFRSs as adopted by the EU, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities

KPMG

KPMG LLP

One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH
United Kingdom

Independent auditor's report to the members of Rapid Fundings Limited

We have audited the financial statements of Rapid Fundings Limited for the period ended 24 February 2013 set out on pages 7 to 39 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006

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

Respective responsibilities of directors and auditor

As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www frc org uk/auditscopeukprivate

Opinion on financial statements

In our opinion

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 24 February 2013 and of the Group's loss for the period then ended,
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU,
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements

Independent auditor's report to the members of Rapid Fundings Limited *(continued)*

Matters on which we are required to report by exception

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

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

Simon Purkess (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

25 April 2013

Consolidated income statement
for the 52 week period ended 24 February 2013

	Note	**Period ended 24 February 2013 £000**	Period ended 26 February 2012 £000
Revenue	*1, 2*	**113,356**	105,534
Cost of sales		**(66,022)**	(65,158)
Gross profit		**47,334**	40,376
Distribution expenses		**(25,577)**	(22,092)
Administrative expenses (including amortisation of intangible assets and impairment of goodwill of £5,967,000 *(2012 £19,151,000)*)		**(19,756)**	(30,953)
Business reorganisation costs	*4*	**-**	(905)
Operating profit/(loss)	*1,3*	**2,001**	(13,574)
Financial income	*7*	**660**	766
Financial expense	*7*	**(11,405)**	(11,397)
Net financing expense		**(10,745)**	(10,631)
Loss before income tax		**(8,744)**	(24,205)
Taxation	*8*	**734**	1,873
Loss for the financial period		**(8,010)**	(22,332)

All amounts are derived from continuing operations

Statements of comprehensive income
for the 52 week period ended 24 February 2013

	Group		**Company**	
	Period ended 24 February 2013 £000	Period ended 26 February 2012 £000	**Period ended 24 February 2013 £000**	Period ended 26 February 2012 £000
Loss for the period	**(8,010)**	(22,332)	**(9,485)**	(8,403)
Total comprehensive income for the period	**(8,010)**	(22,332)	**(9,485)**	(8,403)
Attributable to				
Equity holders of the parent	**(8,010)**	(22,332)	**(9,485)**	(8,403)

Statements of changes in equity

for the 52 week period ended 24 February 2013

Group

	Share capital £000	Treasury shares £000	Retained earnings £000	Total equity £000
Balance at 27 February 2011	4,438	(33)	(24,817)	(22,412)
Transactions with owners, recorded directly in equity				
Repurchase of own shares	-	(220)	-	(220)
Total comprehensive income for the period				
Profit or loss	-	-	(22,332)	(22,332)
Balance at 26 February 2012	4,438	(253)	(49,149)	(44,964)
Transactions with owners, recorded directly in equity				
Issue of own shares	-	253	(236)	17
Total comprehensive income for the period				
Profit or loss	-	-	(8,010)	(8,010)
Balance at 24 February 2013	**4,438**	**-**	**(57,395)**	**(52,957)**

Company

	Share capital £000	Treasury shares £000	Retained earnings £000	Total parent equity £000
Balance at 27 February 2011	4,438	(33)	(21,962)	(17,557)
Transactions with owners, recorded directly in equity				
Repurchase of own shares	-	(220)	-	(220)
Total comprehensive income for the period				
Profit or loss	-	-	(8,403)	(8,403)
Balance at 26 February 2012	4,438	(253)	(30,365)	(24,180)
Transactions with owners, recorded directly in equity				
Issue of own shares	-	253	(236)	17
Total comprehensive income for the period				
Profit or loss	-	-	(9,485)	(9,485)
Balance at 24 February 2013	**4,438**	**-**	**(40,086)**	**(35,648)**

Statements of financial position
at 24 February 2013

	Note	Group		Company	
		24 February 2013 £000	26 February 2012 £000	**24 February 2013 £000**	26 February 2012 £000
Non-current assets					
Intangible assets	9	**39,303**	43,306	-	-
Property, plant and equipment	10	**1,775**	2,257	-	-
Trade and other receivables	13	**40**	40	**12,497**	11,361
Investments in subsidiary	11	-	-	**49,813**	49,813
		41,118	45,603	**62,310**	61,174
Current assets					
Inventories	12	**16,438**	18,218	-	-
Trade and other receivables	13	**845**	658	-	-
Cash and cash equivalents	14	**5,126**	4,282	-	-
		22,409	23,158	-	-
Total assets		**63,527**	68,761	**62,310**	61,174
Current liabilities					
Trade and other payables	15	**(11,170)**	(10,822)	-	-
Corporate tax payable		**(527)**	(206)	-	-
		(11,697)	(11,028)	-	-
Non-current liabilities					
Interest bearing loans and borrowings	16	**(100,675)**	(97,212)	**(97,958)**	(87,354)
Deferred tax liabilities	17	**(4,112)**	(5,485)	-	-
		(104,787)	(102,697)	**(97,958)**	(87,354)
Total liabilities		**(116,484)**	(113,725)	**(97,958)**	(87,354)
Net liabilities		**(52,957)**	(44,964)	**(35,648)**	(26,180)
Equity attributable to equity holders of the parent					
Share capital	19	**4,438**	4,438	**4,438**	4,438
Treasury share reserve		-	(253)	-	(253)
Retained earnings		**(57,395)**	(49,149)	**(40,086)**	(30,365)
Total equity		**(52,957)**	(44,964)	**(35,648)**	(26,180)

These financial statements were approved by the board of directors on 25 April 2013 and were signed on its behalf by

MA Tomkins
Director

Company number 06386842

Statements of cash flows
for the 52 week period ended 24 February 2013

	Note	Group		Company	
		Period ended 24 February 2013 £000	Period ended 26 February 2012 £000	**Period ended 24 February 2013 £000**	Period ended 26 February 2012 £000
Cash flows from operating activities					
Loss for the period		**(8,010)**	(22,332)	**(9,485)**	(8,403)
Adjustments for					
Depreciation, amortisation and impairment		**6,659**	19,940	**-**	-
Financial income		**(660)**	(766)	**(1,136)**	(1,032)
Financial expense		**11,405**	11,397	**10,627**	9,437
Taxation		**(734)**	(1,873)	**(6)**	(2)
		8,660	6,366	**-**	-
(Increase)/decrease in trade and other receivables		**(187)**	16	**-**	-
Decrease in inventories		**1,780**	10,650	**-**	-
Increase/(decrease) in trade and other payables		**1,005**	(2,839)	**-**	-
Cash generated from operations		**11,258**	14,193	**-**	-
Tax (paid)/received		**(318)**	324	**-**	-
Net cash from operating activities		**10,940**	14,517	**-**	-
Cash flows from investing activities					
Acquisition of property, plant and equipment and intangibles	9 10	**(2,174)**	(1,384)	**-**	-
Net cash from investing activities		**(2,174)**	(1,384)	**-**	-
Cash flows from financing activities					
Repayment of borrowings		**(6,000)**	(11,000)	**-**	-
Interest received		**3**	12	**-**	-
Interest paid		**(1,942)**	(2,544)	**-**	-
Issue/(repurchase) of shares		**17**	(220)	**-**	-
Net cash from financing activities		**(7,922)**	(13,752)	**-**	-
Net increase/(decrease) in cash and cash equivalents		**844**	(619)	**-**	-
Cash and cash equivalents at 26 February 2012		**4,282**	4,901	**-**	-
Cash and cash equivalents at 24 February 2013	14	**5,126**	4,282	**-**	-

Notes

(forming part of the financial statements)

1 Accounting policies

Rapid Fundings Limited (the "Company") is a company incorporated and domiciled in the UK

The group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group") The parent company financial statements present information about the Company as a separate entity and not about its group

Basis of preparation

Both the parent company financial statements and the group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs") On publishing the parent company financial statements here together with the group financial statements, the Company is taking advantage of the exemption in Section 408 of the Companies Act 2006 not to present its individual income statement and related notes that form a part of these approved financial statements

Going concern

The company's business activities, together with the factors likely to affect its future development and position, are set out in the business review section of the directors' report

The directors have prepared these financial statements under the going concern basis, notwithstanding net liabilities of £53 0 million, which the directors believe to be appropriate for the following reasons The directors have prepared an annual budget for the period to 23 February 2014 and a high level forecast for the foreseeable future which both indicate that the Group and its subsidiaries has sufficient committed working capital facilities to continue to trade These forecasts also indicate that the Group has significant headroom in meeting its financial covenants, compliance against which is required to draw down on the committed working capital facilities

The directors have also prepared sensitivity analysis which indicates that the Group's committed facilities remain adequate and the Group will continue to adhere to its financial covenants

The company is dependent for its working capital on funds provided to it by M and M Holdings Sarl, the company's ultimate parent undertaking M and M Holdings Sarl has provided the company with an undertaking that for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds as are needed by the company and in particular will not seek repayment of the amounts currently made available

As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue, although, at the date of approval of these financial statements, they have no reason to believe that it will not do so

Based on this undertaking the directors believe that it remains appropriate to prepare the financial statements on a going concern basis The financial statements do not include any adjustments that would result in the basis of preparation being inappropriate

Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value financial instruments classified as fair value through the profit or loss

Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities In assessing control, potential voting rights that are currently exercisable or convertible are taken into account The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases

Notes *(continued)*

1 Accounting policies *(continued)*

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account

Classification of financial instruments issued by the Group

Following the adoption of IAS 32, financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions

(a) they include no contractual obligations upon the company (or group as the case may be) to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company (or group), and

(b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables

Investments in equity and debt securities

Investments in equity and debt securities are recognised initially at fair value Subsequent to initial recognition they are measured at amortised cost less any impairment losses

Trade and other receivables

Trade and other receivables are recognised initially at fair value Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses

Trade and other payables

Trade and other payables are recognised initially at fair value Subsequent to initial recognition they are measured at amortised cost using the effective interest method

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses

Notes *(continued)*

1 Accounting policies *(continued)*

Derivative financial instruments

Derivative financial instruments are deemed to be trading assets/liabilities and therefore recorded at their fair value Changes in their fair value are recorded through the income statement

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment Land is not depreciated The estimated useful lives are as follows

• leasehold improvement	over term of the lease
• plant and equipment	6-7 years
• fixtures and fittings	3-6 years
• motor vehicles	4 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date

Intangible assets and goodwill

All business combinations are accounted for by applying the purchase method Goodwill represents amounts arising on acquisition of subsidiaries, associates and jointly controlled entities Goodwill represents the difference between the cost of the acquisition and the net fair value of the identifiable assets, liabilities and contingent liabilities acquired Identifiable intangibles are those which can be sold separately or which arise from legal rights regardless of whether those rights are separable

Goodwill is stated at cost less any accumulated impairment losses Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment in the investee

Research and development

Expenditure on research activities is recognised in the income statement as an expense as incurred

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group intends, has the technical ability and has sufficient resources to complete development, future economic benefits are probable and if the Group can measure reliably the expenditure attributable to the intangible asset during its development Development activities involve a plan and design of website and back office systems The expenditure capitalised includes the cost of direct labour Other development expenditure is recognised in the income statement as an expense as incurred Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses

Other intangible assets

Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and less accumulated impairment losses Other intangible assets include brands, customer lists, customer and supplier relationships that are recognised on acquisition when they can be separately identified

Notes *(continued)*

1 Accounting policies *(continued)*

Amortisation

Amortisation is charged to the income statement over the estimated useful lives of intangible assets unless such lives are indefinite Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date Other intangible assets are amortised from the date they are available for use Amortisation is calculated using the reducing balance method for customer lists, customers and suppliers and using the straight line method for other intangible assets The estimated useful lives are as follows

• brands	5-10 years
• customer lists	40% reducing balance
• customer relationships	40% reducing balance
• supplier relationships	40% reducing balance
• software	3-5 years
• software development	3 years

Inventories

Inventories are stated at the lower of cost and net realisable value Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories

Impairment excluding inventories and deferred tax assets

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment, a financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset If any such indication exists, the asset's recoverable amount is estimated

For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount Impairment losses are recognised in the income statement

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets

Goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use are tested for impairment at each reporting date or whenever there are indications of impairment

Calculation of recoverable amount

The recoverable amount of the Group's investments in held-to-maturity securities and receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i e , the effective interest rate computed at initial recognition of these financial assets) Receivables with a short duration are not discounted

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs

Notes *(continued)*

1 Accounting policies *(continued)*

Parent's investment in subsidiaries

The Company accounts for its investment in subsidiaries at original cost less subsequent impairment losses

Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably

Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability

Revenue

Revenue is recorded at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided to customers outside of the Group, stated net of returns and value added taxes Sales of goods are recognised when goods are despatched and title has passed A provision for return is accounted for based on the actual return that occurred the month following the balance sheet date

Expenses

Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease Lease incentives received are recognised in the income statement as an integral part of the total lease expense

Financing income and expenses

Financing expenses comprise interest payable, finance charges on shares classified as liabilities, unwinding of deferred debt arrangement fees Financing income comprise interest receivable on funds invested, dividend income, and net foreign exchange gains

Financing income and expenses included movement on financial assets/liabilities at fair value through the profit and loss account to fix the Groups interest charge

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method Dividend income is recognised in the income statement on the date the entity's right to receive payments is established Foreign currency gains and losses are reported on a net basis

Notes *(continued)*

1 Accounting policies *(continued)*

Taxation

Tax on the profit or loss for the period comprises current and deferred tax Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes The following temporary differences are not provided for the initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised

New IFRS standards and interpretations adopted during the year ending 24 February 2013

In these financial statements the following Adopted IFRSs are effective for the first time based on EU effective date and are relevant to the Company

- Amendments to IAS 12 Income Taxes - Deferred Tax Recovery of Underlying Assets
- Amendments to IFRS 7 Financial Instruments Disclosures –Transfers of Financial Assets

The adoption of the above standard has had no material impact on the financial statements

Forthcoming standards

The following relevant forthcoming standards have been issued and are available for early adoption, but have not been applied in these financial statements Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated

- Amendments to IAS 1 Presentation of Items of Other Comprehensive Income (effective for annual periods beginning on or after 1 July 2012)
- Amendments to IAS 19 Employee Benefits (effective for annual periods beginning on or after 1 January 2013)
- IAS 27 (2011) Separate Financial Statements (effective for annual periods beginning on or after 1 January 2014)
- IAS 28 (2011) Investments in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2014)
- Amendments to IAS 32 Financial Instruments Presentation - Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2014)
- Amendments to IFRS 7 Financial Instruments Disclosures - Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2013)
- IFRS 10 Consolidated Financial Statements (effective for annual periods beginning on or after 1 January 2014)
- IFRS 11 Joint Arrangements (effective for annual periods beginning on or after 1 January 2014)

Notes *(continued)*

1 Accounting policies *(continued)*

***Forthcoming standards** (continued)*

- IFRS 12 Disclosure of Interests in Other Entities (effective for annual periods beginning on or after 1 January 2014)
- IFRS 13 Fair Value Measurement (effective for annual periods beginning on or after 1 January 2013)

2 Revenue

The total revenue of the Group for the period has been derived from its principal activity wholly serviced from the UK Management therefore deem the Group operating a single segment

	Period ended 24 February 2013 £000	Period ended 26 February 2012 £000
Sale of goods and services	**113,356**	105,534

3 Expenses and auditor's remuneration

	Period ended 24 February 2013 £000	Period ended 26 February 2012 £000
Group operating profit/ (loss) has been arrived at after charging		
Operating lease charges (note 21)	**1,100**	1,075
Amortisation and impairment of intangible non-current assets (note 9)	**5,967**	19,151
Depreciation of tangible non-current assets (note 10)	**692**	790
Auditor's remuneration		
Amounts receivable by auditor and their associates in respect of		
Audit of financial statements of Group and subsidiaries pursuant to legislation	**34**	34
Other services relating to taxation	**11**	11
Other services	**10**	205

4 Business reorganisation costs

During the prior year, the Group conducted a strategic review which resulted in a change in strategy and a management reorganisation As a result, business reorganisation costs of £905,000 were included in the prior year operating profit

There were no reorganisation costs in the period ended 24 February 2013

Notes *(continued)*

5 Staff numbers and costs

The average number of persons employed by the Group and subsidiary undertakings (including directors) during the period, analysed by category, was as follows

	Group Number of employees	
	Period ended 24 February 2013	Period ended 26 February 2012
Management and administrative	**101**	111
Despatch and sales	**513**	494
	614	605

The aggregate payroll costs of these persons were as follows

	Group	
	£000	£000
Wages and salaries	**8,696**	8,546
Social security costs	**636**	719
Contributions to defined contribution plans	**308**	125
	9,640	9,390

The Company had no employees in the period *(2012 Nil)*

6 Directors' remuneration

Group

	Period ended 24 February 2013 £000	Period ended 26 February 2012 £000
Directors' emoluments	**771**	663
Company contributions to money purchase pension plans	**162**	60
Compensation for loss of office	**-**	346
Excess retirement benefits over original entitlement	**-**	15
	933	1,084

The aggregate of emoluments of the highest paid director was £222,000 *(2012 £378,000)* and pension contributions of £Nil *(2012 £Nil)* were made to a money purchase scheme on his behalf

The number of directors for whom retirement benefits are accruing under money purchase schemes amounted to four *(2012 two)*

Company

The Directors did not receive any remuneration in respect of the Company *(2012 £Nil)*

Notes *(continued)*

7 Finance income and expense

Recognised in the income statement

	Period ended 24 February 2013 £000	Period ended 26 February 2012 £000
Finance income		
Bank interest	**3**	12
Net gain on financial instruments classified as fair value through profit or loss	**657**	754
Total finance income	**660**	766

	£000	£000
Finance expense		
Interest on secured bank loans	**1,192**	1,794
Interest on mezzanine loan	**750**	750
12 5% preference dividend classified as interest	**9,463**	8,399
Amortisation of loan arrangement fees	**-**	454
Total finance expense/(credit)	**11,405**	11,397

8 Taxation

Recognised in the income statement

	Period ended 24 February 2013 £000	Period ended 26 February 2012 £000
Current tax expense		
Current period	**639**	133
Adjustments for prior periods	**-**	(324)
Current tax expense/(credit)	**639**	(191)
Deferred tax expense		
Origination and reversal of temporary differences	**(1,373)**	(1,682)
Deferred tax credit	**(1,373)**	(1,682)
Total tax credit in income statement	**(734)**	(1,873)

Notes *(continued)*

8 Taxation *(continued)*

Reconciliation of effective tax rate

The current tax credit for the period is lower *(2012 lower)* than the standard rate of corporation tax in the UK of 24 2% *(2012 26 2%)* The differences are explained below

	Period ended 24 February 2013 £000	Period ended 26 February 2012 £000
Loss before income tax	**(8,744)**	(24,205)
Current tax at 24 2% *(2012 26 2%)*	**(2,116)**	(6,336)
Effect of		
Impairment of goodwill	**-**	3,220
Difference between depreciation and capital allowances	**51**	127
Expenses not deductable for tax purposes	**10**	8
Non-taxable dividend on preference shares	**2,289**	2,198
Overprovided in prior periods	**-**	(324)
Group relief received from parent without payment	**(578)**	(288)
Effect of rate change	**(390)**	(478)
Total tax credit	**(734)**	(1,873)

Factors that may affect future charges

A reduction in the UK corporation tax rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and further reductions to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively This will reduce the company's future current tax charge accordingly The deferred tax liability at 24 February 2013 has been calculated based on the rate of 23% substantively enacted at the balance sheet date

The March 2013 Budget announced that the rate will further reduce to 20% by 2015 in addition to the planned reduction to 21% by 2014 previously announced in the December 2012 Autumn Statement It has not yet been possible to quantify the full anticipated effect of the announced further 3% rate reduction, although this will further reduce the company's future current tax charge and reduce the company's deferred tax liability accordingly

Notes *(continued)*

9 Intangible assets – Group

	Balance at 27 February 2011 £000	Period ended February 2012 additions £000	Period ended February 2012 amortisation and impairment £000	Balance at 26 February 2012 £000	Period ended February 2013 additions £000	Period ended February 2013 amortisation £000	Balance at 24 February 2013 £000
Cost							
Brands	35,601	-	-	35,601	595	-	**36,196**
Customer list	2,063	-	-	2,063	-	-	**2,063**
Customers	9,845	-	-	9,845	-	-	**9,845**
Suppliers	10,827	-	-	10,827	-	-	**10,827**
Software	3,150	448	-	3,598	729	-	**4,327**
Software development (internally developed)	1,210	733	-	1,943	640	-	**2,583**
Goodwill	30,939	-	-	30,939	-	-	**30,939**
	93,635	1,181	-	94,816	1,964	-	**96,780**
Amortisation and impairment							
Brands	(11,763)	-	(3,593)	(15,356)	-	**(3,614)**	**18,970**
Customer list	(1,676)	-	(154)	(1,830)	-	**(94)**	**1,924**
Customers	(8,003)	-	(737)	(8,740)	-	**(442)**	**9,182**
Suppliers	(8,801)	-	(811)	(9,612)	-	**(485)**	**10,097**
Software	(1,741)	-	(1,023)	(2,764)	-	**(672)**	**3,436**
Software development (internally developed)	(375)	-	(531)	(906)	-	**(660)**	**1,566**
Goodwill	-	-	(12,302)	(12,302)	-	-	**12,302**
	(32,359)	-	(19,151)	(51,510)	-	**(5,967)**	**57,477**
Net book value							
Brands	23,838	-	(3,593)	20,245	595	**(3,614)**	**17,226**
Customer list	387	-	(154)	233	-	**(94)**	**139**
Customers	1,842	-	(737)	1,105	-	**(442)**	**663**
Suppliers	2,026	-	(811)	1,215	-	**(485)**	**730**
Software	1,409	448	(1,023)	834	729	**(672)**	**891**
Software development (internally developed)	835	733	(531)	1,037	640	**(660)**	**1,017**
Goodwill	30,939	-	(12,302)	18,637	-	-	**18,637**
	61,276	1,181	(19,151)	43,306	1,964	**(5,967)**	**39,303**

Notes *(continued)*

9 Intangible assets – Group *(continued)*

Amortisation and impairment

The amortisation of intangible assets and impairment of goodwill charges were recognised in the following line item in the income statement

	Period ended 24 February 2013 £000	Period ended 26 February 2012 £000
Administration expenses	**5,967**	19,151

Impairment testing

Goodwill and indefinite life intangible assets considered significant in comparison to the Group's total carrying amount of such assets have been allocated to the Group's one cash generating unit

The recoverable amount of goodwill has been calculated with reference to its value in use The key features of this calculation are shown below

	2013	2012
Period on which management approved forecasts are based	**1 year**	1 year
Growth rate applied beyond approved forecast period	**2 0%**	2 0%
Discount rate	**15.5%**	15 5%

The growth rate selected is consistent with the long-term average growth rate for the UK economy of 2%

The recoverable amount of the cash generating unit was based on its value in use and was determined by discounting the future cash flows to be generated from the continuing use of the cash generating unit

Value in use in 2013 was determined in a similar manner as in 2012 The carrying amount of the cash generating unit was determined to be higher than its recoverable amount and an impairment loss of £Nil *(2012 £12,302,000)* was recognised The impairment loss was allocated fully to goodwill and is included in administrative expenses

The discount rate applied is a pre tax market participant rate

Sensitivity analysis

The Group's estimates of impairments are most sensitive to increases in the discount rate used and the forecast growth rates in perpetuity Sensitivity analysis has been carried out by reference to both of these assumptions and neither a 150 basis point increase in the discount rate or a 200 basis point reduction in the growth rate would result in an impairment being required

Other than as disclosed above, it is not considered that a reasonably possible change in any of the key assumptions would generate a different impairment test outcome to the one detailed above

Notes *(continued)*

10 Property, plant and equipment – Group

	Land and buildings £000	Plant and equipment £000	Fixtures and fittings £000	Motor vehicles £000	Total £000
Cost					
At 27 February 2011	2,440	514	1,596	124	4,674
Additions	5	118	81	-	204
At 26 February 2012	2,445	632	1,677	124	4,878
Additions	-	147	46	17	210
At 24 February 2013	2,445	779	1,723	141	5,088
Depreciation					
At 27 February 2011	657	169	957	48	1,831
Depreciation charge	355	86	320	29	790
At 26 February 2012	1,012	255	1,277	77	2,621
Depreciation charge	346	99	223	24	692
At 24 February 2013	1,358	354	1,500	101	3,313
Net book value					
At 27 February 2011	1,783	345	639	76	2,843
At 26 February 2012	1,433	377	400	47	2,257
At 24 February 2013	**1,087**	**425**	**223**	**40**	**1,775**

Impairment loss and subsequent reversal

There have been no impairment losses recognised during the current period *(2012 £Nil)*

Leased plant and machinery

There were no leased fixed assets during either the current or preceding period

Security

All assets of the Group are pledged as security against the Group's bank and mezzanine loans

Company

The Company does not hold any property, plant and equipment

Notes *(continued)*

11 Investments in subsidiaries

The Company has the following investments in subsidiaries at 26 February 2012 and 24 February 2013

	Carrying value £000	Country of Incorporation	Class of shares held	Ownership	Nature of business
Held directly by the company					
Rapid Acquisitions Limited	49,813	England	Ordinary	100%	Intermediate holding company
Held indirectly by the company					
M and M Direct Limited		England	Ordinary	100%	Online retail company
M and M Sports Limited		England	Ordinary	100%	Dormant

12 Inventories

	Group		Company	
	2013	2012	**2013**	2012
	£000	£000	**£000**	£000
Finished goods and goods for resale	**16,438**	18,218	**-**	-

Included within inventories is £Nil *(2012 £Nil)* expected to be recovered in more than 12 months

The amount of inventory expensed in the period was £66,022,000 *(2012 £65,158,000)*

13 Trade and other receivables

	Group		Company	
	2013	2012	**2013**	2012
	£000	£000	**£000**	£000
Non-current				
Intra-Group receivables	**40**	40	**12,497**	11,361
Current				
Prepayments and other receivables	**420**	539	**-**	-
Trade receivables	**425**	119	**-**	-
	845	658	**-**	-

14 Cash and cash equivalents

	Group		Company	
	2013	2012	**2013**	2012
	£000	£000	**£000**	£000
Cash and cash equivalents	**5,126**	4,282	**-**	-

Notes *(continued)*

15 Trade and other payables

	Group		Company	
	2013	2012	**2013**	2012
	£000	£000	**£000**	£000
Current				
Trade payables	**5,801**	5,173	**-**	-
Other taxes and social security	**2,722**	3,688	**-**	-
Other creditors	**918**	568	**-**	-
Accruals	**1,729**	736	**-**	-
Financial liabilities classified as fair value through profit and loss (see note 20)	**-**	657	**-**	-
	11,170	10,822	**-**	-

16 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group and Company's interest-bearing loans and borrowings, which are measured at amortised cost For more information about the Group and Company's exposure to interest rate and foreign currency risk, see note 20

	Group		Company	
	2013	2012	**2013**	2012
	£000	£000	**£000**	£000
Non-current liabilities				
Secured bank loans	**8,000**	14,000	**-**	-
Secured mezzanine loan	**7,500**	7,500	**7,500**	7,500
Preference shares classified as debt	**45,375**	45,375	**45,375**	45,375
Parent company and intra-group loans	**39,800**	30,337	**45,083**	34,479
	100,675	97,212	**97,958**	87,354

Terms and debt repayment schedule

The following financial liabilities are classified as loans and receivables

Group

	Currency	**Nominal interest rate**	**Year of maturity**	**Carrying amount 2013 £000**	**Fair value 2013 £000**	Carrying amount 2012 £000	Fair value 2012 £000
Secured 'B' bank loan	£ Sterling	LIBOR plus 2 0%	**2015**	**500**	**422**	6,500	5,094
Secured 'C' bank loan	£ Sterling	LIBOR plus 3 25%	**2016**	**7,500**	**5,987**	7,500	5,618
Secured mezzanine loan	£ Sterling	Fixed 10% per annum	**2016**	**7,500**	**6,763**	7,500	6,133
Preference shares	£ Sterling	Fixed 12 5% per annum	**N/A**	**45,375**	**45,375**	45,375	45,375
Parent company loan	£ Sterling	Fixed 10 0% per annum	**N/A**	**39,800**	**39,800**	30,337	30,337
Parent company and intra-group loans	£ Sterling	Fixed 12 5% per annum	**N/A**	**45,083**	**45,083**	34,479	34,479
				100,675	**98,347**	97,212	92,557

Notes *(continued)*

16 Interest-bearing loans and borrowings *(continued)*

The above fair values have been calculated by discounting the contracted future cash flows at the market rate for similar investments

The Group has a revolving £5 million credit facility which can be drawn down throughout the year In addition the Group may borrow a further £12 million via a seasonal revolving credit facility for a period of up to 120 days per annum The cost of both these facilities is currently LIBOR plus 1 5% Utilisation of both revolving credit facilities requires adherence of various financial covenants

Company

	Currency	Nominal interest rate	Year of maturity	Carrying amount 2013 £000	Fair value 2013 £000	Carrying amount 2012 £000	Fair value 2012 £000
Secured mezzanine loan	£ Sterling	Fixed 10% per annum	**2016**	**7,500**	**6,763**	7,500	6,133
Preference shares	£ Sterling	Fixed 12 5% per annum	**N/A**	**45,375**	**45,375**	45,375	45,375
Parent company and intra-group loans	£ Sterling	Fixed 12 5% per annum	**N/A**	**45,083**	**45,083**	34,479	34,479
				97,958	**97,221**	87,354	85,987

17 Deferred tax assets and liabilities

Group

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following

	Balance at 27 February 2011 £000	Credit/(charge) income statement £000	Rate change £000	Balance at 26 February 2012 £000	Credit/(charge) income statement £000	Rate change £000	**Balance at 24 February 2013 £000**
Elements of deferred tax are as follows							
Brands	(6,297)	915	426	(4,956)	846	355	**(3,755)**
Customer list	(105)	41	6	(58)	23	3	**(32)**
Customer relationships	(498)	194	28	(276)	106	17	**(153)**
Supplier relationships	(548)	213	31	(304)	118	18	**(168)**
	(7,448)	1,363	491	(5,594)	1,093	393	**(4,108)**
Accelerated capital allowances	(100)	39	6	(55)	49	2	**(4)**
Derivative financial instrument	381	(198)	(19)	164	(159)	(5)	**-**
Deferred tax assets/ (liabilities)	(7,167)	1,204	478	(5,485)	983	390	**(4,112)**

Company

The Company does not have any deferred tax related balances

Notes *(continued)*

18 Employee benefits

Defined contribution plans

The Group operates a number of defined contribution pension plans

The total expense relating to these plans in the current period was £308,000 *(2012 £125,000)* Contributions amounting to £4,000 *(2012 £Nil)* were payable to the scheme and are included in creditors

19 Share capital

	2013 £000	2012 £000
Allotted, called up and fully paid		
4,438,099 ordinary shares of £1 each	**4,438**	4,438
74,208 ordinary (nil paid) shares	**74**	74
45,375,426 preference shares	**45,375**	45,375
	49,887	49,887
Shares classified in shareholders' funds – ordinary shares of £1 each	**4,438**	4,438

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company

During the period ended 26 February 2012 the Company repurchased 298,873 ordinary shares of £1 each for a consideration of £220,000, settled in cash

Subsequently, in the period ended 24 February 2013, the Company issued 332,160 ordinary shares of £1 each for a total consideration of £17,000, settled in cash

20 Financial instruments

20 (a) Fair values of financial instruments

Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material

Trade and other payables

The fair value of trade and other payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material

Cash and cash equivalents

The fair value of cash and cash equivalents is estimated as its carrying amount where the cash is repayable on demand Where it is not repayable on demand then the fair value is estimated at the present value of future cash flows, discounted at the market rate of interest at the balance sheet date

Interest-bearing borrowings

Fair value, which after initial recognition is determined for disclosure purposes only, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the balance sheet date

Notes *(continued)*

20 Financial instruments *(continued)*

***20 (a) Fair values of financial instruments** (continued)*

Derivative financial instruments

The Group has entered into a long term swap agreement to fix the interest rate of a proportion of its variable rate Bank debt at a LIBOR rate of 5 6475% per annum This arrangement ended on 30 November 2012 The amount covered by this arrangement on 24 February 2013 was £Nil *(2012 £18,750,000)* The fair value movements on this instrument are recognised through profit and loss

The Group has recognised this financial liability on its balance sheet as follows

	£000
Balance at 27 February 2011	1,411
Credited to income statement – period ended 26 February 2012	(754)
Balance at 26 February 2012	657
Credited to income statement – period ended 24 February 2013	(657)
Balance at 24 February 2013	-

Notes *(continued)*

20 Financial instruments *(continued)*

20 (a) Fair values of financial instruments (continued)

Company

The Company does not hold any derivative financial instruments

Fair values

The fair values for each class of financial assets and financial liabilities together with their carrying amounts shown in the balance sheet are as follows

Group	Carrying amount 2013 £000	Fair value 2013 £000	Carrying amount 2012 £000	Fair value 2012 £000
Cash and cash equivalents (note 14)	5,126	5,126	4,282	4,282
Trade and other receivables (note 13)	425	425	159	159
Intra-group receivables (note 13)	40	40	40	40
Total loans and receivables	465	465	199	199
Total financial assets	5,551	5,551	4,481	4,481
Financial liabilities classified as fair value through profit or loss (note 20a)	-	-	(657)	(657)
Total financial liabilities classified as fair value through profit and loss	-	-	(657)	(657)
Other interest-bearing loans and borrowings (note 16)	(100,675)	(98,347)	(97,212)	(92,557)
Trade payables (note 15)	(5,801)	(5,801)	(5,173)	(5,173)
Other creditors and accruals (note 15)	(2,647)	(2,647)	(1,304)	(1,304)
Total financial liabilities measured at amortised cost	(109,123)	(106,795)	(103,689)	(99,034)
Total financial liabilities	(109,123)	(106,795)	(104,346)	(99,691)
Total financial instruments	(103,532)	(101,204)	(99,865)	(95,210)

Notes *(continued)*

20 Financial instruments *(continued)*

***20 (a) Fair values of financial instruments** (continued)*

Company	**Carrying amount 2013 £000**	**Fair value 2013 £000**	Carrying amount 2012 £000	Fair value 2012 £000
Other loans and receivables (note 13)	**12,497**	**4,323**	11,361	2,898
Total loans and receivables	**12,497**	**4,323**	11,361	2,898
Total financial assets	**12,497**	**4,323**	11,361	2,898
Other interest-bearing loans and borrowings (note 16)	**(97,958)**	**(97,221)**	(87,354)	(86,686)
Total financial liabilities measured at amortised cost	**(97,958)**	**(97,221)**	(87,354)	(86,686)
Total financial liabilities	**(97,958)**	**(97,221)**	(87,354)	(86,686)
Total financial instruments	**(85,461)**	**(92,898)**	(75,993)	(83,788)

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method The different levels have been defined as follows

- Level 1 unadjusted quoted prices in active markets for identical assets or liabilities
- Level 2 inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either as a direct price or indirectly derived from prices
- Level 3 inputs for the asset or liability that are not based on observable market data

	Level 1 £000	**Level 2 £000**	**Level 3 £000**	**Total £000**
Derivative financial liabilities				
At 24 February 2013	**-**	**-**	**-**	**-**
At 26 February 2012	-	657	-	657

At 24 February 2013 and 26 February 2012, the Group did not have any liabilities classified at Level 1 or Level 3 in the fair value hierarchy There have been no transfers between categories during the year

Notes *(continued)*

20 Financial instruments *(continued)*

20 (b) Credit risk

Financial risk management

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities

Group and Company

Credit risk is not considered to be a material risk to the Group as customers are required to pay up front before goods and services are despatched

In certain limited circumstances trade receivable are held but these are only with entities that we have a long standing relationship with and all balances are received within 45 days of invoice

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure Therefore, the maximum exposure to credit risk at the balance sheet date was £465,000 *(2012 £199,000)* being the total of the carrying amount of financial assets (excluding cash and cash equivalents), shown in the table above All amounts are current

The maximum exposure to credit risk for trade receivables at the balance sheet date arises solely in the United Kingdom and relates to trade sales

Due to the nature of the business the ageing profile and provision against trade receivables is not deemed material to these financial statements

20 (c) Liquidity risk

Financial risk management

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

Group and Company

The Group prepares monthly and annual cash flow and working capital forecasts which are then "stress tested" to ensure existing bank facilities and covenant compliance requirements are adhered to On a weekly and monthly basis performance against these forecasts is monitored to ensure no issues arise

Notes *(continued)*

20 Financial instruments *(continued)*

20 (c) Liquidity risk (continued)

Liquidity risk – Group

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the effect of netting agreements

	2013						2012					
	Carrying amount £000	Contractual cash flows £000	1 year or less £000	1 to <2years £000	2 to <5years £000	5years and over £000	Carrying amount £000	Contractual cash flows £000	1 year or less £000	1 to <2years £000	2 to <5years £000	5years and over £000
Non-derivative financial liabilities												
Secured bank loans	8,000	9,271	494	955	7,822	-	14,000	17,011	1,164	1,003	14,843	-
Secured mezzanine loan	7,500	9,750	750	750	8,250	-	7,500	11,250	750	750	9,750	-
Preference shares classified as debt	45,375	45,375	-	-	-	45,375	45,375	45,375	-	-	-	45,375
Accrued interest	39,800	39,800	-	-	-	39,800	30,337	30,337	-	-	-	30,337
Trade and other payables	5,801	5,801	5,801	-	-	-	5,173	5,173	5,173	-	-	-
Other creditors and accruals	2,647	2,647	2,647	-	-	-	1,304	1,304	1,304	-	-	-
Derivative financial liabilities												
Interest rate swaps	-	-	-	-	-	-	657	657	657	-	-	-
	109,123	112,644	9,692	1,705	16,072	85,175	104,346	111,106	9,048	1,753	24,593	75,712

Notes *(continued)*

20 Financial instruments *(continued)*

20 (c) Liquidity risk (continued)

Liquidity risk – Company

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the effect of netting agreements

	2013						2012					
	Carrying amount £000	Contractual cash flows £000	1 year or less £000	1 to <2years £000	2 to <5years £000	5years and over £000	Carrying amount £000	Contractual cash flows £000	1 year or less £000	1 to <2years £000	2 to <5years £000	5years and over £000
Non-derivative financial liabilities												
Secured mezzanine loan	7,500	9,750	750	750	8,250	-	7,500	11,250	750	750	9,750	-
Preference shares classified as debt	45,375	45,375	-	-	-	45,375	45,375	45,375	-	-	-	45,375
Intragroup loan	45,083	45,083	-	-	-	45,083	34,479	34,479	-	-	-	34,479
	97,958	100,208	750	750	8,250	90,458	87,354	91,104	750	750	9,750	79,854

Notes *(continued)*

20 Financial instruments *(continued)*

20 (d) Cash flow hedges

Cash flow hedges – Group

The following table indicates the periods in which the cash flows associated with cash flow hedging instruments are expected to occur

	2013						2012					
	Carrying amount £000	**Expected cash flows £000**	**1 year or less £000**	**1 to <2years £000**	**2 to <5years £000**	**5years and over £000**	Carrying amount £000	Expected cash flows £000	1 year or less £000	1 to <2years £000	2 to <5years £000	5years and over £000
Interest rate swaps												
Liabilities	-	-	-	-	-	-	657	657	657	-	-	-

The following table indicates the periods in which the cash flows associated with cash flow hedging instruments are expected to affect profit or loss

	2013						2012					
	Carrying amount £000	**Expected cash flows £000**	**1 year or less £000**	**1 to <2years £000**	**2 to <5years £000**	**5years and over £000**	Carrying amount £000	Expected cash flows £000	1 year or less £000	1 to <2years £000	2 to <5years £000	5years and over £000
Interest rate swaps												
Liabilities	-	-	-	-	-	-	657	657	657	-	-	-

The company does not hold any cash flow hedging instruments in either period

Notes *(continued)*

20 Financial instruments *(continued)*

20 (e) Market risk

Financial risk management

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments

Group

The Group previously managed its interest rate risk by entering into a swap arrangement to fix the majority of its variable rate debt This swap expired on 30 November 2012 and was not renewed as the Group now only has £8 0 million of variable rate debt The impact that interest rates volatility may have on the Group is therefore significantly reduced

Company

The Company's debts carry fixed interest rates and it is not therefore materially exposed to direct interest rate risk

Market risk – Interest rate risk

Profile

The interest rate profile of the Group's financial instruments is disclosed in note 16

	Group		Company	
	2013	2012	**2013**	2012
	£000	£000	**£000**	£000
Fixed rate instruments				
Financial liabilities	**(92,675)**	(83,212)	**(97,958)**	(87,354)
Variable rate instruments				
Financial liabilities	**(8,000)**	(14,657)	-	-

Sensitivity analysis

A decrease of 50 basis points in interest rates at the balance sheet date would affect equity and profit or loss by the amounts shown below This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date

This analysis assumes that all other variables, in particular foreign currency rates, remain constant and considers the effect of the fixed rate element of interest rate swap which was in place until 30 November 2012

	Group		Company	
	2013	2012	**2013**	2012
	£000	£000	**£000**	£000
Equity				
Increase	**40**	-	-	-
Decrease	**40**	70	-	-
Profit or loss				
Increase	**40**	-	-	-
Decrease	**40**	70	-	-

Notes *(continued)*

20 Financial instruments *(continued)*

20 (e) Market risk (continued)

As of 24 February 2013 the Group had £8 0 million of variable rate debt *(2012 £Nil)* which was not covered by the interest rate swap The impact of a 50 basis point movement in interest rates is summarised below

	Group		Company	
	2013	2012	**2013**	2012
	£000	£000	**£000**	£000
Equity				
Increase	**40**	-	-	-
Decrease	**40**	-	-	-
Profit or loss				
Increase	**40**	-	-	-
Decrease	**40**	-	-	-

20 (f) Capital management

Group

The Groups principal aims are growth in sales and profits combined with a steady reduction in external debts To achieve this the Group sets an annual budget which incorporates a number of financial and non financial key performance indicators, performance against which is then closely monitored on a weekly and monthly basis

During the period ended 24 February 2013 the Group continued to meet its capital targets as evidenced by the successful prepayment of £6 0 million *(2012 £11 0 million)* of external bank debt in the period The next scheduled debt repayment of £0 5 million is due in February 2015

Company

The Company operates as an intermediate holding company whose principal investment is in M and M Direct Limited which is a wholly owned subsidiary The Company is ultimately controlled by funds managed by TA Associates, a Boston based Venture Capitalist In due course TA Associates will ultimately sell the Company although no timescales have been set for this divestment As a result TA Associates does not have any immediate plans to change the capital structure of the company

21 Operating leases

Non-cancellable operating lease rentals relating to land and buildings are payable as follows

	Group		Company	
	2013	2012	**2013**	2012
	£000	£000	**£000**	£000
Less than one year	**1,121**	1,084	-	-
Between one and five years	**3,777**	4,420	-	-
More than five years	**3,097**	3,575	-	-
	7,995	9,079	-	-

The Group leases a number of warehouse and factory facilities under operating leases

The Group does not hold any other operating leases

Notes *(continued)*

21 Operating leases *(continued)*

Group

During the period, £1,100,000 was recognised as an expense in the income statement in respect of operating leases *(2012 £1,075,000)*

Company

During the period £Nil was recognised as an expense in the income statement in respect of operating leases *(2012 £Nil)*

22 Commitments

Capital commitments

Capital commitments at the end of the financial period for which no provision has been made are as follows

	Group		Company	
	2013	2012	**2013**	2012
	£000	£000	**£000**	£000
Authorised and contracted	**79**	-	-	-

23 Related party transactions

Group

Transactions with key management personnel

Directors of the Company and their immediate relatives control 20 7 per cent *(2012 15 9 per cent)* of the voting shares of the Company

The key management personnel of the Group comprise the executive and non-executive directors The details of the total remunerations and pension contributions are disclosed in note 6

The Group loaned £Nil *(2012 £71,000)* to a director which carries an interest rate of 6% per annum At the period end, the amount outstanding was £88,000 *(2012 £88,000)*

During the period, key management personnel of the Group purchased goods totalling £4,000 *(2012 £4,000)* from the Group

During the year, the Group issued 299,361 shares to key management personnel for total consideration of £15,000, settled in cash These shares were previously held by an Employee Benefit Trust

All transactions were at arms length

Other related party transactions

	Sales to or income received from		Purchases made or expenses incurred from	
	2013	2012	**2013**	2012
	£000	£000	**£000**	£000
Other related parties	**-**	-	**9,463**	8,687
	-	-	**9,463**	8,687

Notes *(continued)*

23 Related party transactions *(continued)*

	Receivables outstanding		Payables outstanding	
	2013	2012	**2013**	2012
	£000	£000	**£000**	£000
Other related parties	**40**	40	**85,175**	75,711

Transactions with other related parties primarily arise from interest accrued on intercompany loans Included in payables outstanding is preferred share capital held by Rapid Holdings Limited (note 16)

Company

Other related party transactions

	Sales to or income received from		Purchases made or expenses incurred from	
	2013	2012	**2013**	2012
	£000	£000	**£000**	£000
Subsidiaries	**1,136**	1,033	**414**	289
Other related parties	-	-	**9,463**	8,399
	1,136	1,033	**9,877**	8,688

	Receivables outstanding		Payables outstanding	
	2013	2012	**2013**	2012
	£000	£000	**£000**	£000
Subsidiaries	**12,497**	11,361	**5,284**	4,143
Other related parties	-	-	**85,175**	75,711
	12,497	11,361	**90,459**	79,854

24 Ultimate parent company and parent company of larger group

The Company's immediate parent undertaking is Rapid Holdings Limited, a company incorporated in England and Wales In the directors opinion the Company's ultimate controlling party is TA Associates, incorporated in the United States of America

The largest group in which the results are consolidated is that headed by M and M Holdings Sarl, which is registered in Luxembourg

The consolidated financial statements of M and M Holdings Sarl are available to the public and may be obtained from M and M Holdings Sarl, 40 Avenue Monterey, L-2163, Luxembourg

Notes *(continued)*

25 Accounting estimates and judgements

The directors are responsible for the development, selection and disclosure of the Group's critical accounting policies and estimates and the application of these policies and estimates In applying the accounting policies, appropriate estimates have been made in a number of areas and the actual outcome may differ from the position described in the Company's and Group's Balance Sheet at 24 February 2013 The key sources of estimation uncertainty at the Balance Sheet date that may give rise to material adjustment to the carrying value of assets and liabilities within the next financial year are as follows

Intangible valuation and impairment

The outcome of the group's annual impairment test for goodwill is dependent on the forecast cash flows of each cash generating unit together with key management and assumptions including profit growth and discount rates

Inventory valuation

Inventories are stated at the lower of cost and net realisable value Cost is based on first-in first-out principle and includes expenditure incurred in acquiring the inventories

Provision is made for slow moving stock where appropriate in the light of recent usage, and for likely realisable values

26 Consolidated entities

The following is a list of entities included in the consolidated financial statements of the Group

Company	Country of incorporation	% of control held by Group	Description
Rapid Acquisitions Limited	England	100%	Intermediate holding company
M and M Direct Limited	England	100%	Online retail company
M and M Sport Limited	England	100%	Dormant

27 Subsequent events

There have been no important events affecting the Company or any of its subsidiary undertakings since the end of the financial period