

Company Registration No. 07101408 (England and Wales)

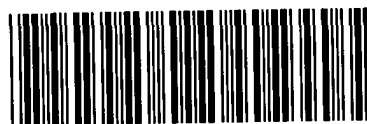
Report and

Consolidated Financial Statements for the year ended 31 December 2018

for

Made.com Design Limited

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for the year ended 31 December 2018

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Strategic Report

for the year ended 31 December 2018

The Directors present their strategic report for the year ended 31 December 2018.

REVIEW OF BUSINESS

Made.com Design Limited (the 'Company') and its subsidiaries (together the 'Group') are engaged in the online retail of furnishings and homeware.

2018 marked a record year for the group, with revenue growth of 37% to £173.4m, launch in the Spanish market as well as the redevelopment and expansion of the flagship London showroom. These activities were in addition to a successful £40m equity funding round which generated £30m of primary proceeds.

The Company is limited by shares, incorporated and domiciled in the United Kingdom, and was incorporated on 10th December 2009. The address of its registered office is 5 Singer Street, London, EC2A 4BQ.

The performance of the Group and Company during 2018 was in line with expectations.

KEY PERFORMANCE INDICATORS

In this document, the Group presents certain financial measures, including Adjusted EBITDA that are not recognised under International Financial Reporting Standards (IFRS). These measures are presented because the Directors believe that they provide important alternative measures with which to assess the Group's performance. However, they should not be used instead of, or considered as alternatives to, the Group's historical financial results based on IFRS.

The Group reports record results for 2018, with its revenue increasing by 37% from £127.0m in 2017 to £173.4m in 2018. The mix of International revenue grew to 42% following the successful launch into Spain last October.

The Group continued to grow its investment in technology with a 50% increase in development expenditure, this was particularly focused on enhancing the customer experience whilst strengthening the operating infrastructure for future growth. There was also an increase in fixed asset investment with a new London HQ and an upgrade to the company's flagship showroom in London, trebling the space whilst redefining the experience the group delivers to its customers.

Adjusted EBITDA loss was £0.4m, down from £2.2m in 2017.

Made.com Design Limited group's key performance indicators are considered to be as follows:

	2018	2017
Revenue	£173.4m	£127.0m
International % of revenue	42%	41%
Number of territories operating in	6	5
Adjusted EBITDA loss*	£(0.4)m	£(2.2)m

*Adjusted EBITDA is defined as profit or loss before tax, interest, depreciation, amortisation and net foreign currency gains and losses incurred on the translation of monetary assets and liabilities. Refer to note 27 in the Financial Statements for further details.

STRATEGIC OUTLOOK

Since Made.com Design Limited started trading in 2010, it has grown from a UK company to an international business with 489 employees at 31 December 2018 (2017: 348 employees). The Group operates local language websites in UK, France, BENELUX, Germany (including Austria), Switzerland and Spain and will continue to grow its business in these markets.

Strategic Report

for the year ended 31 December 2018

PRINCIPAL RISKS AND UNCERTAINTIES

The Group operates in different geographies which are controlled and managed from the UK. As a result the Group has reduced exposure to business and financial risks because it is able to call on Group financial resources and experience. The directors assess the principal risks and uncertainties facing the Group in both the short-term and long-term, these are grouped as liquidity risk, commercial risk and currency risk:

Liquidity risk

Liquidity risk for the Group arises from the management of working capital commitments and meeting its financial obligations as they fall due. The Group's policy is to review cash flow forecasts and projections regularly as well as information regarding cash balances to ensure that it has significant cash to allow it to meet its liabilities as they become due.

The Group reviews its long-term funding requirements in parallel with its long-term strategy, with an objective of aligning both in a timely manner. At the reporting date, forecasts indicate that the Group is expected to have sufficient liquidity to meet its financial obligations for the foreseeable future.

Commercial risk

The principal commercial risks inherent in the activities of the Group relate to the ability of the Group to design and market products which attract customers to the Group's website. The Group aims to manage this risk by continuing to strengthen both product and marketing propositions.

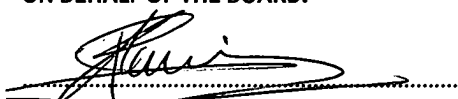
The Group works closely with suppliers to foster close working relationships with a strong focus on customer experience and satisfaction. The group does this whilst ensuring a high standard of business conduct and governance as well as continually working towards improving environmental and social credentials.

The group strives to offer a great environment for its employees, to nurture talent within the workforce and act in employees best interests. It has implemented the relevant policies and process to ensure a high standard of employee welfare and satisfaction.

Currency risk

The Group is also exposed to currency risk by virtue of the proportion of its business being invoiced in foreign currencies. The Group generates cash in foreign currencies enabling the Group to manage these exposures. The Group's policy is to match foreign currency transaction exposures where possible. Where appropriate, the Group uses financial instruments in the form of forward foreign exchange contracts to hedge future foreign currency cash flows.

ON BEHALF OF THE BOARD:


P Chainieux - Director

Date: 19 July 2019

Directors' Report

for the year ended 31 December 2018

The Directors present their Directors' Report for the year ended 31 December 2018.

The results for the year and the Group and Company financial positions at the end of the year are shown in the attached financial statements. The Group's loss for the year was £4.5m (2017: loss of £0.1m).

EMPLOYMENT OF DISABLED PERSONS

The Group offers disabled persons, including those who become disabled during their employment full and fair consideration for employment opportunities, equal to other employees. Training provision is made, as for all employees so that disabled persons have the opportunity of career development within the Group.

EMPLOYEE ENGAGEMENT

The directors provide employees of the Group with the forum to understand the financial and economic factors that impact business performance. They also offer the employees the opportunity to raise matters of concern to them both collectively and on an individual basis. The decision making within the Group is done with full consideration of the impacts on its employees and in their best interests. The directors also incentivise employees involvement in the Group's performance with the award of share options to some employees.

BUSINESS STAKEHOLDERS

The Group actively fosters its relationships with suppliers, customers and other business stakeholders. The group selects suppliers based on their ability to meet the needs of its customers and offer an excellent product or service. Suppliers are also selected with environmental and community credentials in mind as well as their ability to meet the needs of the Group looking forwards, build long term relationships.

Certain suppliers are subject to internal and/or external audits to ensure they are meeting the terms and conditions set out in the Group's policies and operating at a high level of business conduct and compliance.

DIVIDEND

The directors do not propose a dividend in the current year.

GOING CONCERN

The financial statements have been prepared on a going concern basis. The Group has made a loss of £4.5m (2017: loss of £0.1m) for the year ended 31 December 2018 and is in a net asset position of £33.0m as at 31 December 2018 (2017: £2.5m).

The Group has a strong cash position at the year end, with a cash balance of £35.6m (2017: £13.8m). The directors have reviewed the group's forecast and projections, including assumptions concerning capital expenditure and expenditure commitments and their impact on cash flows and loan covenants, and have a reasonable expectation that the group has adequate financial resources to continue its operations for the foreseeable future. The Group expects to continue to grow the business in the UK and internationally.

RESEARCH AND DEVELOPMENT

The Group is currently undertaking research and development into its website. During the year, the Group has capitalised £3.6m (2017: £2.4m) of website related costs. The Directors believe that this development will lead to future economic benefits for the Group.

Directors' Report

for the year ended 31 December 2018

FUTURE DEVELOPMENTS

Details of future developments are provided in the strategic report on page 3.

FINANCIAL INSTRUMENTS

Details of financial instruments are provided in the strategic report on page 4.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

REAPPOINTMENT OF AUDITORS

The auditors, Ernst & Young LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

DIRECTORS

The Directors who served the company during the year were as follows:

P Chainieux

The Directors benefited from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

COMPANY SECRETARY

L Tomlins

APPROVED BY THE BOARD AND SIGNED ON ITS BEHALF BY:



P Chainieux - Director

Date:

19 July 2019

Statement of Directors' Responsibilities

for the year ended 31 December 2018

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standard ('IFRSs') as adopted by the EU.

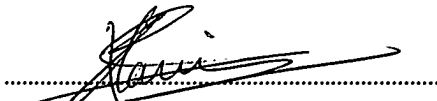
Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss of the company for that period.

The directors are required to prepare financial statements for each financial period, which present fairly the financial position of the Company and the Group and the financial performance and cash flows of the Company and that of the Group for that period. In preparing those financial statements the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance;
- State that the Group has complied with IFRS, subject to any material departures disclosed and explained in the financial statements; and
- Prepare financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

APPROVED BY THE BOARD AND SIGNED ON ITS BEHALF BY:


.....
P Chainieux - Director

Date: 19 July 2019

Independent Auditor's Report to the Members of Made.com Design Limited

for the year ended 31 December 2018

Opinion

We have audited the financial statements of Made.com Design Limited ('the parent company') and its subsidiaries (the 'group') for the year ended 31 December 2018 which comprise Consolidated income statement, Consolidated statement of comprehensive income, Consolidated and company statement of financial position, Consolidated statement of changes in equity and Consolidated and company statement of cash flows and the related notes 1 to 27, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the group's and of the parent company's affairs as at 31 December 2018 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union 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.

Basis for our opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Independent Auditor's Report to the Members of Made.com Design Limited

for the year ended 31 December 2018

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

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

- adequate accounting records have not been kept 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Independent Auditor's Report to the Members of Made.com Design Limited

for the year ended 31 December 2018

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Ernst & Young LLP

Christine Chua (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

Date:19/7/19.....

Consolidated income statement

for the year ended 31 December 2018

	Notes	2018 £m	2017 £m
Revenue	6	173.4	127.0
Cost of sales		(80.4)	(60.6)
Gross profit		93.0	66.4
Distribution expenses		(32.9)	(22.6)
Administrative expenses		(64.4)	(48.3)
Exceptional Items	27	(1.0)	–
Operating loss	9	(5.3)	(4.5)
Finance costs	7	(0.5)	(0.4)
Finance income	7	0.1	–
Loss before tax		(5.7)	(4.9)
Income tax credit	11	1.2	4.8
Loss for the year		(4.5)	(0.1)
Loss for the year attributed to equity holders of the Company		(4.5)	(0.1)

Loss per share (pence per share):

Basic and diluted loss for the year attributable to ordinary equity holders of the parent

20 (20.2)p (0.5)p

Non-GAAP measures:

Adjusted EBITDA loss

27 £(0.4)m £(2.2)m

Consolidated statement of comprehensive income

for the year ended 31 December 2018

	2018	2017
	£m	£m
Loss for the year	(4.5)	(0.1)
Other comprehensive income/(loss)		
Other comprehensive income to be reclassified to profit or loss in subsequent years (net of tax):		
Unrealised gains/(losses) on cash flow hedges	4.7	(2.7)
Exchange differences on translation of foreign operations	–	–
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent years	4.7	(2.7)
Other comprehensive income/(loss) for the year, net of tax	4.7	(2.7)
Total comprehensive income/(loss) for the year, net of tax	0.2	(2.8)
Total comprehensive income/(loss) for the year, net of tax, attributable to equity holders of the Company	0.2	(2.8)

Consolidated and company statement of financial position


as at 31 December 2018

		Group		Company	
	Notes	2018 £m	2017 £m	2018 £m	2017 £m
Non-current assets					
Property, plant and equipment	12	3.4	1.0	3.4	1.0
Intangible assets	13	5.4	3.8	5.4	3.8
Deferred tax asset	11	4.3	4.8	4.3	4.8
Rent deposits		0.5	0.5	0.4	0.4
		<u>13.6</u>	<u>10.1</u>	<u>13.5</u>	<u>10.0</u>
Current assets					
Inventories	14	17.9	14.4	17.9	14.4
Trade and other receivables	15	8.7	6.7	8.6	6.7
Current financial asset	17	5.7	0.1	5.7	0.1
Cash	16	35.6	13.8	35.6	13.7
		<u>67.9</u>	<u>35.0</u>	<u>67.8</u>	<u>34.9</u>
Total assets		<u>81.5</u>	<u>45.1</u>	<u>81.3</u>	<u>44.9</u>
Current liabilities					
Interest-bearing loans and borrowings	17	–	(0.1)	–	(0.1)
Trade and other payables	18	(31.5)	(21.5)	(31.5)	(21.5)
Current financial liability	17	(1.5)	(2.2)	(1.5)	(2.2)
Deferred revenue		(14.9)	(14.3)	(14.9)	(14.3)
Provisions	19	–	(0.5)	–	(0.5)
		<u>(47.9)</u>	<u>(38.6)</u>	<u>(47.9)</u>	<u>(38.6)</u>
Non-current liabilities					
Interest-bearing loans and borrowings	17	–	(3.9)	–	(3.9)
Provisions	19	(0.6)	(0.1)	(0.6)	(0.1)
		<u>(0.6)</u>	<u>(4.0)</u>	<u>(0.6)</u>	<u>(4.0)</u>
Total liabilities		<u>(48.5)</u>	<u>(42.6)</u>	<u>(48.5)</u>	<u>(42.6)</u>
Net assets		<u>33.0</u>	<u>2.5</u>	<u>32.8</u>	<u>2.3</u>
Capital and reserves					
Share capital	21	0.0	0.0	0.0	0.0
Share premium	21	42.7	12.4	42.7	12.4
Foreign currency translation reserve	21	0.1	0.1	–	–
Hedging reserve	21	3.3	(1.4)	3.3	(1.4)
Other reserves	21	19.7	19.7	19.7	19.7
Retained earnings		<u>(32.8)</u>	<u>(28.3)</u>	<u>(32.9)</u>	<u>(28.4)</u>
		<u>33.0</u>	<u>2.5</u>	<u>32.8</u>	<u>2.3</u>

Consolidated and company statement of financial position

as at 31 December 2018

The financial statements for Made.com Design Limited (Company Registration No. 07101408 (England and Wales)) on pages 11 to 45 were approved by the Board of Directors on ... 19/7/19 ... and signed on its behalf by:


P Chainieux

Consolidated statement of changes in equity

for the year ended 31 December 2018

	Share capital £m	Share premium £m	Foreign currency translation reserve £m	Hedging reserve £m	Other reserves £m	Retained earnings £m	Total £m
At 1 January 2017	0.0	12.4	0.1	1.3	19.7	(28.2)	5.3
Loss for the year	-	-	-	-	-	(0.1)	(0.1)
Other comprehensive income:							
Cash flow hedges - losses deferred in equity	-	-	-	(2.1)	-	-	(2.1)
Cash flow hedges - gains transferred out of equity	-	-	-	(1.3)	-	-	(1.3)
Translation differences	-	-	-	-	-	-	-
Tax on other comprehensive income	-	-	-	0.7	-	-	0.7
Total comprehensive loss for the year	-	-	-	(2.7)	-	(0.1)	(2.8)
Share based payments	-	-	-	-	-	-	-
At 31 December 2017	0.0	12.4	0.1	(1.4)	19.7	(28.3)	2.5
Loss for the year	-	-	-	-	-	(4.5)	(4.5)
Other comprehensive income:							
Cash flow hedges - gains deferred in equity	-	-	-	4.1	-	-	4.1
Cash flow hedges - losses transferred out of equity	-	-	-	1.6	-	-	1.6
Translation differences	-	-	-	-	-	-	-
Tax on other comprehensive income	-	-	-	(1.0)	-	-	(1.0)
Total comprehensive income/(loss) for the year	-	-	-	4.7	-	(4.5)	0.2
Share based payments	-	-	-	-	-	-	-
Capital injection	-	30.3	-	-	-	-	30.3
At 31 December 2018	0.0	42.7	0.1	3.3	19.7	(32.8)	33.0

All equity disclosed above is attributable to the owners of the parent.

Company statement of changes in equity

for the year ended 31 December 2018

	Share capital £m	Share premium £m	Hedging reserve £m	Other reserves £m	Retained earnings £m	Total £m
At 1 January 2017	0.0	12.4	1.3	19.7	(28.2)	5.2
Loss for the year	-	-	-	-	(0.2)	(0.2)
Other comprehensive income:						
Cash flow hedges - losses deferred in equity	-	-	(2.1)	-	-	(2.1)
Cash flow hedges - gains transferred out of equity	-	-	(1.3)	-	-	(1.3)
Tax on other comprehensive income	-	-	0.7	-	-	0.7
Total comprehensive loss for the year	-	-	(2.7)	-	(0.2)	(2.9)
Share based payments	-	-	-	-	-	-
At 31 December 2017	0.0	12.4	(1.4)	19.7	(28.4)	2.3
Loss for the year	-	-	-	-	(4.5)	(4.5)
Other comprehensive income:						
Cash flow hedges – gains deferred in equity	-	-	4.1	-	-	4.1
Cash flow hedges – losses transferred out of equity	-	-	1.6	-	-	1.6
Tax on other comprehensive income	-	-	(1.0)	-	-	(1.0)
Total comprehensive income/(loss) for the year	-	-	4.7	-	(4.5)	0.2
Share based payments	-	-	-	-	-	-
Capital injection	-	30.3	-	-	-	30.3
At 31 December 2018	0.0	42.7	3.3	19.7	(32.9)	32.8

Consolidated and company statement of cash flows

for the year ended 31 December 2018

		Group		Company	
	Notes	2018 £m	2017 £m	2018 £m	2017 £m
Operating activities					
Loss before tax		(5.7)	(4.9)	(5.7)	(5.0)
Adjustments to reconcile loss before tax to net cash flows					
Depreciation & impairment of property, plant and equipment	12	1.0	0.8	1.0	0.8
Amortisation & impairment of intangible assets	13	2.1	1.8	2.1	1.8
Share-based payment expense	22	–	–	–	–
Net finance expense	7	0.4	0.4	0.5	0.4
Working capital adjustments:					
Decrease in trade receivables		0.7	–	0.7	–
Increase in inventories		(4.0)	(4.8)	(4.0)	(4.8)
Increase in other receivables, prepayments and accrued income		(2.7)	(1.2)	(2.6)	(1.1)
Increase in trade payables, taxes and social security		8.4	2.1	8.4	2.1
Increase in accruals and deferred revenue		1.6	8.5	1.6	8.5
Decrease in provisions		(0.6)	(0.3)	(0.6)	(0.3)
Cash flows from operating activities		1.2	2.4	1.4	2.4
Interest received		0.1	–	0.1	–
Interest paid		(0.5)	(0.4)	(0.5)	(0.4)
Income tax received		0.7	1.1	0.6	1.1
Net cash flows from operating activities		1.5	3.1	1.6	3.1
Investing activities					
Purchase of property, plant and equipment	12	(2.4)	(0.6)	(2.4)	(0.6)
Development expenditure	13	(3.6)	(2.4)	(3.6)	(2.4)
Landlord contributions received		–	0.1	–	0.1
Net cash flows used in investing activities		(6.0)	(2.9)	(6.0)	(2.9)
Financing activities					
Capital injection		30.3	–	30.3	–
Repayment of borrowings		(4.0)	–	(4.0)	–
Net cash flow from financing activities		26.3	–	26.3	–
Net increase in cash and cash equivalents		21.8	0.2	21.9	0.2
Net foreign exchange difference		–	–	–	–
Cash and cash equivalents at 1 January		13.8	13.6	13.7	13.5
Cash and cash equivalents at 31 December	16	35.6	13.8	35.6	13.7

Notes to the financial statements

for the year ended 31 December 2018

1. General information

The financial statements of Made.com Design Limited comprises the results of Made.com Design Limited (the 'Company') and its subsidiaries (together the 'Group'). The Group's financial statements have been prepared on a going concern basis and in accordance with note 2 Basis of Preparation. The principal accounting policies adopted by the Group are set out in note 2.

A list of subsidiaries and their countries of incorporation is presented in note 25.

2. Principal accounting policies

The basis of preparation and accounting policies used in preparing the financial statements in respect of the Group for the year ended 31 December 2018 is set out below. These accounting policies have been consistently applied in all material respects to all the years presented unless otherwise stated.

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) as they apply to the financial statements of the Group for the year ended 31 December 2018 and in accordance with the Companies Act 2006.

The consolidated financial statements have been prepared on a historical cost basis except for derivative financial instruments which are held at fair value. The financial information is presented in Pounds Sterling (£) and all values are rounded to the nearest million (£m), except when otherwise indicated. The principal accounting policies adopted in the preparation of this financial information are set out below. These policies have been consistently applied for all years presented.

Basis of consolidation

The Group financial statements consolidate the results of Made.com Design Limited and its subsidiary undertakings for the year ended 31 December 2018.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

The financial statements of subsidiaries are prepared for the same reporting years using consistent accounting policies. All intercompany transactions and balances, including unrealised profits arising from intra-group transactions, have been eliminated on consolidation.

The Company has taken advantage of the exemption provided under section 408 of the Companies Act 2006 not to publish its individual income statement and related notes. The loss for the year for the Company was £4.5m (2017: loss of £0.2m).

Notes to the financial statements

for the year ended 31 December 2018

2. Principal accounting policies (continued)

Going concern

The Directors have reviewed the Group's working capital model for the foreseeable future, other longer-term forecasts, the levels of cash reserves and the on-going availability of banking facilities and are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future and therefore it is appropriate to continue to adopt the going concern basis in preparing the accounts.

Summary of significant accounting policies

a) Revenue recognition

The Group derives revenue from contracts with customers relating to online sales of furnishings and homewares. The primary performance obligation is the delivery of furniture and homewares products to the location specified in the online sales contract. This is the point at which control is considered to have passed to the customer, and revenue from both the sale of the goods and the associated delivery service is recognised.

Revenue is measured net of discount vouchers used and VAT. At the point revenue is recognised, a provision is also taken up for any future returns that may occur under the rights of return in the original contract. The provision for returns is calculated based on estimated return rates and then subsequently adjusted as returns are incurred. An associated right of return asset is recognised in inventory, representing the value of the products that are expected to be returned from the customer.

The timing of the receipt of cash from customers and the satisfaction of the performance obligation gives rise to a contract liability recognised as deferred revenue on the balance sheet. Deferred revenue represents cash collected for goods, net of discount vouchers used and VAT, for which delivery to the customer has not yet been made.

b) Foreign currencies

The Group's historical financial information is presented in Pounds Sterling (£), which is also the parent company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

(i) Transactions and Balances

Transactions in foreign currencies are initially recorded by the Group's entities at the respective functional currency rates at the date the transaction first qualifies for recognition. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period.

(ii) Group

For the purpose of presenting consolidated financial information, the assets and liabilities of the Group's foreign operations are expressed in Pounds Sterling (£) using exchange rates prevailing at the end of the reporting period. Income and expenses are translated at the average exchange rate for the period. Exchange differences arising are recognised in other comprehensive income (OCI) and are transferred to the foreign currency translation reserve.

Notes to the financial statements

for the year ended 31 December 2018

2. Principal accounting policies (continued)

Summary of significant accounting policies (continued)

c) Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from, or payable to, the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date. Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where applicable.

Deferred tax

Deferred tax is provided using the liability method on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements with the following exceptions:

- Where the temporary differences arise from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised only to the extent that the directors consider it is probable that there will be taxable profits against which the deductible temporary differences, and the carry forward of unused tax credits or unused tax losses can be utilised.

Deferred tax assets and liabilities are measured on an undiscounted basis at tax rates that are expected to apply in the period when the related asset is realised or liability is settled, based on tax rates enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are offset, only if a legally enforceable right exists to set off deferred tax assets against tax liabilities, the deferred taxes relate to the same taxation authority and that authority permits the Group to make a single net payment.

Deferred tax is charged or credited to OCI if it relates to items that are charged or credited to OCI. Similarly, deferred tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity.

d) Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. All repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is charged so as to write off the cost of assets, over their estimated useful lives, using the straight-line method. Residual values and useful lives are reviewed at each period end, with the effect of any changes in estimate accounted for on a prospective basis.

Notes to the financial statements

for the year ended 31 December 2018

2. Principal accounting policies (continued)

Summary of significant accounting policies (continued)

d) Property, plant and equipment (continued)

The following useful lives are used in the calculation of depreciation:

Fixtures & fittings	-	3 years or the life of the lease (if less than 3 years)
Computer equipment	-	3 years
Office equipment	-	3 years

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the disposal proceeds and the carrying amount of the asset and is recognised in the income statement.

Assets in the course of construction are held at cost less recognised impairment loss. Depreciation is not provided on these assets.

e) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

Intangible assets are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

Research and development costs

Research costs are expensed as incurred. Development expenditure on an individual project is recognised as an intangible asset when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset and the ability to reliably measure the expenditure during development.

Subsequent measurement of intangible assets

Intangible assets with a finite life are amortised on a straight-line basis over their estimated useful lives as follows:

Domain name	-	10 years
Development costs	-	3 years
Trade marks and IP	-	3 years

Residual values and useful lives are reviewed at each period end, with the effect of any changes in estimate accounted for on a prospective basis.

Notes to the financial statements

for the year ended 31 December 2018

2. Principal accounting policies (continued)

Summary of significant accounting policies (continued)

f) Impairment of non-current financial assets

At each reporting date, the Group assesses the carrying amounts of its non-financial assets (including property, plant and equipment and intangible assets) to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

The recoverable amount is the higher of 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 which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. Impairment losses are immediately recognised in the income statement.

g) Inventories

Inventories are valued at the lower of cost and net realisable value.

Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

h) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation taking into account the risks and uncertainties surrounding the obligation.

The timing of cash outflows are by their nature uncertain and are therefore best estimates. Provisions are discounted if the time value of money is material to the provisions recognised.

Notes to the financial statements

for the year ended 31 December 2018

2. Principal accounting policies (continued)

Summary of significant accounting policies (continued)

i) Exceptional items

Exceptional items are non-recurring material items which are outside the scope of the Group's ordinary activities. Such items are disclosed separately within the financial statements.

j) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets held by the Group are classified at initial recognition as either financial assets at fair value through profit or loss or financial assets measured at amortised cost. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Financial liabilities owed by the Group are classified, at initial recognition, as financial liabilities at fair value through profit or loss; loans and borrowings; payable; or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are initially recognised at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Trade and other receivables

Trade and other receivables are classified as financial assets measured at amortised cost under IFRS 9 Financial Instruments and recognised when it is probable that a future economic benefit will flow to the Group. Trade and other receivables are carried at original invoice amount (deemed as the fair value by management) less any provisions for impairment. Provisions are made where there is evidence of a risk of non-payment taking into account ageing, previous experience and general economic conditions.

Trade and other payables and interest-bearing loans

Trade and other payables and interest-bearing loans are classified as 'loans and payables' under IFRS 9 Financial Instruments and 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 in the statement of financial position comprises cash at banks and on hand.

Financial assets and liabilities at fair value through profit or loss

These categories include derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9 Financial Instruments.

Derivatives

The group uses derivative financial instruments, such as forward currency options, to hedge its foreign currency risk (refer to note (q) for further details). Such derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and subsequently remeasured at fair value with net changes in fair value presented as finance costs or finance income in the income statement. Derivatives are carried as financial assets when fair value is positive and financial liabilities when the fair value is negative. Net changes in fair value are presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the income statement.

k) Derecognition of financial instruments

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

A financial asset is derecognised when the rights to receive cash flows from the asset have expired.

l) Fair value measurement

The fair values of financial instruments measured at amortised cost and derivative instruments recognised at fair value are disclosed in Note 17.

Notes to the financial statements

for the year ended 31 December 2018

2. Principal accounting policies (continued)

Summary of significant accounting policies (continued)

l) Fair value measurement (continued)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

m) Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Operating lease payments are recognised as an operating expense in the income statement on a straight-line basis over the lease term.

Notes to the financial statements

for the year ended 31 December 2018

2. Principal accounting policies (continued)

Summary of significant accounting policies (continued)

n) Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

o) Share based payments

Employees (including Directors) of the Group receive remuneration in the form of share-based payments whereby employees render services as consideration for equity instruments (equity-settled transactions).

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using the Black-Scholes valuation model.

That cost is recognised, together with a corresponding increase in retained earnings, over the period in which the performance and/or service conditions are fulfilled in employee benefits expense. The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions, for which vesting is conditional upon a market or non-vesting condition. These are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

p) Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts to hedge its foreign currency risks (refer to note (j) for further details). Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The purchase contracts that meet the definition of a derivative under IFRS 9 Financial Instruments are recognised in the income statement as cost of sales.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in OCI and later reclassified to profit or loss when the hedge item affects profit or loss.

Notes to the financial statements

for the year ended 31 December 2018

2. Principal accounting policies (continued)

Summary of significant accounting policies (continued)

p) Derivative financial instruments and hedge accounting (continued)

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated. Hedges that meet the strict criteria for hedge accounting are accounted for, as described below:

q) Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss.

The Group uses forward currency contracts as hedges of its exposure to foreign currency risk in forecast transactions and firm commitments. The ineffective portion relating to foreign currency contracts is recognised in finance costs and the ineffective portion relating to commodity contracts is recognised in other operating income or expenses. Amounts recognised as OCI are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as OCI are transferred to the initial carrying amount of the non-financial asset or liability.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in OCI remains separately in equity until the forecast transaction occurs or the foreign currency firm commitment is met.

Notes to the financial statements

for the year ended 31 December 2018

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial period, are described below. The Group based its assumptions and estimates on parameters available when these financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Refund accruals

Accruals for sales returns are estimated on the basis of historical returns and are recorded in order to allocate them to the same period in which the original revenue is recorded. These accruals are reviewed regularly and updated to reflect management's latest best estimates. Actual returns could vary from these estimates.

Share option valuation

Critical estimates and assumptions are made in particular with regard to the calculation of fair value of employee share options using appropriate valuation models.

Impairment of property, plant and equipment and intangible assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a discounted cashflow model.

Deferred tax assets

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related benefit through future taxable profits is probable. The assessment of the carrying value of the deferred tax asset is based on management's best estimate of the timing and amount of future taxable profits. Refer to note 11 for further details of unused tax losses and deferred tax assets.

Notes to the financial statements

for the year ended 31 December 2018

4. New standards, interpretations and amendments

During the financial year commencing 1 January 2018 the Group adopted two new standards which had become effective during the period, IFRS 15 Revenue from contracts with customers and IFRS 9 Financial Instruments. There has been no material impact on the financial statements as a result of the adoption of either of these standards. Refer to note 2 Accounting Policies for the updated accounting policies on Revenue, Financial instruments and Hedge accounting.

As at 31 December 2018, the following new and revised standards, amendments and interpretations, which may be relevant to the Group's results, were issued but not yet effective:

IFRS 16 Leases

This standard sets out the principle for recognition, measurement, presentation and disclosure of leases for both lessees and lessors. It replaces IAS 17 Leases, IFRIC 4 Determining whether an arrangement contains a lease, SIC 15 Operating lease incentives and SIC 27 Evaluating the substance of transactions involving the legal form of a lease. The most significant changes are in relation to lessee accounting. Under the new standard, the concept of assessing a lease contract as either operating or financing replaced by a single lessee accounting model. Under this new model, substantially all lease contracts will result in a lessee acquiring a right-to-use asset and obtaining financing. The lessee will be required to recognise a corresponding asset and liability. The asset will be depreciated over the term of the lease and the interest on the financing liability will be charged over the same period. The standard is effective for annual periods beginning on or after 1 January 2019, and has been endorsed by the European Union. Adopting this new standard will result in the Group recognising right-to-use assets and accompanying financing liabilities for the Group's showrooms and offices on the balance sheet. The income statement will also be impacted, with rent expense relating to operating leases being replaced by a depreciation charge arising from the right-to-use assets and interest charges arising from lease financing. The Group has done a full review of their lease contracts and has assessed the impact of adopting this standard using the fully retrospective method on the calculation of net profit/(loss) after tax to be immaterial. However, there will be a change in the presentation of the consolidated income statement with some of the current rental expense charge being recognised in financing costs, below operating profit. In addition, the group will recognise Right to Use Assets and corresponding Lease Liabilities as at 1 January 2018 representing the NPV of the future lease payments. For further information on the value of the Group's future committed minimum lease payments refer to note 26.

5. Capital management

For the purpose of the Group's capital management, capital includes issued capital, share premium and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Group's capital management is to maximise the shareholder value.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may issue new shares to reduce debt.

Notes to the financial statements

for the year ended 31 December 2018

6. Geographic revenue analysis

The Group's operating segments are reported based on the financial information provided to the Chief Executive Officer, who is the chief operating decision maker in the business, and is the person responsible for making strategic decisions about the segments, and the highest level of management directly involved in day-to-day business operations.

For management purposes, the Group is organised into business units based on location of customers. The Group is considered to have two reportable segments: UK operations and International operations.

Total assets and liabilities, as well as other specific disclosures in relation to segment assets and liabilities, are not disclosed as this information is not provided by segment to the chief operating decision maker on a regular basis.

	2018 £m	2017 £m
UK	100.4	74.7
International	73.0	52.3
Total revenue	173.4	127.0

7. Net financing costs

	2018 £m	2017 £m
Finance costs:		
Bank interest on interest-bearing loans and borrowings	(0.5)	(0.4)
Total finance costs	(0.5)	(0.4)
Finance income:		
Bank interest	0.1	–
Total finance income	0.1	–
Net finance expense	(0.4)	(0.4)

Notes to the financial statements

for the year ended 31 December 2018

8. Employee benefits expense

	2018 £m	2017 £m
Wages and salaries	14.0	10.5
Social security costs	1.7	1.1
Pension contributions	0.5	0.2
Share based payment expense	–	–
Total employee benefits expense	16.2	11.8

Average monthly number of employees during the year was as follows:

	2018	2017
Administration	177	139
Marketing and products	203	128
Technical	49	32
	429	299

Compensation of key management personnel of the Group:

	2018 £m	2017 £m
Salaries, fees and other short-term employee benefits	0.6	0.5
Pension contributions	–	–
Share based payment transactions	–	–
Total costs of key management personnel	0.6	0.5

The amounts disclosed in the table are amounts recognised as an expense during the reporting period related to key management personnel.

Key management personnel comprise of directors and heads of the executive and finance departments.

The aggregate emoluments paid to the Director during the year were £0.3m (2017: £0.3m). A 2.0% pension contribution was also paid during the year. The Director exercised 67,369 share options in the Company in the year (2017: nil).

Notes to the financial statements

for the year ended 31 December 2018

9. Other operating income and expense included in the consolidated income statement

	2018 £m	2017 £m
Included in Operating Loss:		
Depreciation and impairment of property, plant and equipment	1.0	0.8
Amortisation and impairment of intangible assets	2.1	1.8
Minimum lease payments recognised as an operating lease expense	2.3	1.4
Net foreign exchange gain/(loss)	0.8	(0.3)

10. Auditors' remuneration

The Group paid the following amounts to its auditor in respect of the audit of the financial statements and for other services provided to the Group:

	2018 £m	2017 £m
For the audit of any associate of the group	0.1	0.1
For taxation compliance services	—	—
For audit related services	—	—
	<u>0.1</u>	<u>0.1</u>

Notes to the financial statements

for the year ended 31 December 2018

11. Income taxes

(a) Income tax recognised in the income statement:

	2018 £m	2017 £m
Current income tax:		
Current income tax credit	(0.7)	(0.7)
Adjustments in respect of current income tax of the previous year	–	–
Total current tax	(0.7)	(0.7)
Deferred tax:		
Relating to:		
Origination and reversal of temporary differences	(0.5)	(4.6)
Effect of changes in the tax rate	–	0.5
Total deferred tax	(0.5)	(4.1)
Total income tax credit reported in the income statement	(1.2)	(4.8)

	2018 £m	2017 £m
Deferred tax (credit)/expense	1.0	(0.7)
Total income tax charged/(credited) to other comprehensive income	1.0	(0.7)

(b) Reconciliation of total tax expense

A reconciliation between tax expense and the accounting profit using the UK's domestic tax rate has been presented for the year ended 31 December 2018 as follows:

	2018 £m	2017 £m
Loss before tax	(5.7)	(4.9)
Loss before tax multiplied by the standard rate of corporation tax in the UK of 19% (2017 19.25%)	(1.1)	(0.9)
Adjustment in respect of current income tax of previous years	–	(0.0)
Non-deductible expenses	0.5	0.5
Effects of group relief / other reliefs	(0.7)	(0.7)
Tax losses not utilised	–	–
Movement in deferred tax previously unrecognised	–	(4.2)
Tax rate changes	0.1	0.5
Total tax credit reported in the consolidated income statement	(1.2)	(4.8)

Notes to the financial statements

for the year ended 31 December 2018

11. Income taxes (continued)

(c) Reconciliation of deferred tax assets

	2018 £m	2017 £m
As at 1 January	(4.8)	–
Deferred tax credited to the income statement	(0.5)	(4.1)
Deferred tax charged/(credited) to other comprehensive income	1.0	(0.7)
As at 31 December	<u>(4.3)</u>	<u>(4.8)</u>

The deferred tax (asset)/liability balance relates to the following:

	2018 £m	2017 £m
Capital allowances	0.6	0.4
Derivative instruments	0.6	(0.3)
Unused tax losses	(5.5)	(4.9)
Other	–	–
	<u>(4.3)</u>	<u>(4.8)</u>

Deferred tax assets are recognised for tax losses carried forward to the extent that the realisation of the related benefit through future taxable profits is probable. The Group has recognised a deferred tax asset of £4.3m at 31 December 2018 (2017: £4.8m) relating to unused tax losses, supported by forecasted future taxable profits against which it will be utilised. This represents the full deferred tax impact of carried forward tax losses for the Group. There are no unrecognised deferred tax assets relating to unused tax losses at 31 December 2018.

At 31 December 2018, the Group had recognised a deferred tax asset primarily comprising of tax losses of £5.5m (2017: £4.9m) which was utilised in that same year against the deferred tax liability arising from taxable temporary differences from property, plant and equipment, intangible assets and unrealised gains on cashflow hedges.

(d) Factors that may affect future tax charges

On 16 March 2016, a further reduction in the UK corporation tax rate to 17% from 1 April 2020 was announced in the Chancellor's Budget. At the balance sheet date, this reduction had been substantively enacted. Therefore, a tax rate of 17% has been used in these financial statements to measure the deferred tax assets and liabilities.

Notes to the financial statements

for the year ended 31 December 2018

12. Property, plant and equipment

Group

	Assets under construction	Fixtures & Fittings	Computer equipment	Office equipment	Total
Cost:	£m	£m	£m	£m	£m
At 1 January 2017	–	1.5	0.5	0.1	2.1
Additions	0.1	0.3	0.2	0.1	0.7
At 31 December 2017	0.1	1.8	0.7	0.2	2.8
Additions	1.8	1.0	0.4	0.2	3.4
Reclassifications	(0.6)	0.6	–	–	–
At 31 December 2018	1.3	3.4	1.1	0.4	6.2
Depreciation:					
At 1 January 2017	–	0.7	0.2	0.1	1.0
Charge for the year	–	0.6	0.2	–	0.8
At 31 December 2017	–	1.3	0.4	0.1	1.8
Charge for the year	–	0.6	0.3	0.1	1.0
At 31 December 2018	–	1.9	0.7	0.2	2.8
Net book value:					
At 31 December 2018	1.3	1.5	0.4	0.2	3.4
At 31 December 2017	0.1	0.5	0.3	0.1	1.0

Company

	Assets under construction	Fixtures & Fittings	Computer equipment	Office equipment	Total
Cost:	£m	£m	£m	£m	£m
At 1 January 2017	–	1.5	0.5	0.1	2.1
Additions	0.1	0.3	0.2	0.1	0.7
At 31 December 2017	0.1	1.8	0.7	0.2	2.8
Additions	1.8	1.0	0.4	0.2	3.4
Reclassifications	(0.6)	0.6	–	–	–
At 31 December 2018	1.3	3.4	1.1	0.4	6.2
Depreciation:					
At 1 January 2017	–	0.7	0.2	0.1	1.0
Charge for the year	–	0.6	0.2	0.0	0.8
At 31 December 2017	–	1.3	0.4	0.1	1.8
Charge for the year	–	0.6	0.3	0.1	1.0
At 31 December 2018	–	1.9	0.7	0.2	2.8
Net book value:					
At 31 December 2018	1.3	1.5	0.4	0.2	3.4
At 31 December 2017	0.1	0.5	0.3	0.1	1.0

Notes to the financial statements

for the year ended 31 December 2018

13. Intangible assets

Group and Company

	Domain name	Development costs	Other Intangible Assets	Total
	£m	£m	£m	£m
Cost:				
At 1 January 2017	0.1	5.9	–	6.0
Additions	–	2.4	–	2.4
At 31 December 2017	0.1	8.3	–	8.4
Additions	–	3.6	0.1	3.7
At 31 December 2018	0.1	11.9	0.1	12.1
Amortisation:				
At 1 January 2017	0.1	2.7	–	2.8
Charge for the year	–	1.8	–	1.8
At 31 December 2017	0.1	4.5	–	4.6
Charge for the year	–	2.1	–	2.1
At 31 December 2018	0.1	6.6	–	6.7
Net Book Value:				
At 31 December 2018	–	5.3	0.1	5.4
At 31 December 2017	–	3.8	–	3.8

14. Inventories

Group and Company

	2018	2017
	£m	£m
Finished goods	17.9	14.4
	<u>17.9</u>	<u>14.4</u>

The cost of inventories recognised as an expense are £77.8m (2017: £58.3m).

Notes to the financial statements

for the year ended 31 December 2018

15. Trade and other receivables

	Group		Company	
	2018	2017	2018	2017
	£m	£m	£m	£m
Trade receivables	–	0.7	0.0	0.7
Other receivables	5.6	4.5	5.6	4.5
Prepayments and accrued income	2.4	0.8	2.3	0.8
Tax debtor	0.7	0.7	0.7	0.7
	<u>8.7</u>	<u>6.7</u>	<u>8.6</u>	<u>6.7</u>

Trade and other receivables are non-interest bearing and are generally on terms of 7 to 30 days. As at 31 December 2018, £0.7m of trade receivables were impaired and fully provided for (2017: nil).

Gross trade receivables are denominated in the following currencies:

Group and Company

	2018	2017
	£m	£m
Pound Sterling	–	–
Euro	–	0.7
	<u>–</u>	<u>0.7</u>

The aging analysis of trade receivables is as follows:

Group and Company

	2018	2017
	£m	£m
<i>Neither past due nor impaired</i>	–	–
<i>Past due but not impaired:</i>		
0 – 30 days	–	–
30 – 60 days	–	–
Greater than 60 days	–	0.7
	<u>–</u>	<u>0.7</u>

The credit quality of trade receivables that are neither past due nor impaired is assessed by reference to external credit ratings where available, otherwise historical information relating to counterparty default rates is used. The Group continually assesses the recoverability of trade receivables and the level of provisioning required.

Notes to the financial statements

for the year ended 31 December 2018

16. Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand and in banks. Cash at banks earns interest at floating rates based on daily deposit rates. Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows is equal to the related items in the statement of financial position as follows:

	Group		Company	
	2018	2017	2018	2017
	£m	£m	£m	£m
Cash at banks and on hand	35.6	13.8	35.6	13.7
Cash and cash equivalents	<u>35.6</u>	<u>13.8</u>	<u>35.6</u>	<u>13.7</u>

Cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2018	2017	2018	2017
	£m	£m	£m	£m
GBP	32.9	11.4	32.9	11.4
EUR	1.5	1.5	1.5	1.5
CHF	0.4	–	0.4	–
USD	0.8	0.8	0.8	0.8
RMB	–	0.1	–	–
Total	<u>35.6</u>	<u>13.8</u>	<u>35.6</u>	<u>13.7</u>

Notes to the financial statements

for the year ended 31 December 2018

17. Financial assets and financial liabilities

Group and Company

Interest-bearing loans and borrowings

	2018 £m	2017 £m
Current		
Secured bank loan	–	0.1
Non-current		
Secured bank loan	–	3.9
	<u>–</u>	<u>4.0</u>

Secured bank loan

On 26 October 2016, the Group entered into a loan agreement with Silicon Valley Bank with both a term loan of £4m and a revolving credit facility of £10m. The term loan had a fixed rate of interest of 5.75% and was secured by a fixed and floating charge over the Group's assets. In August 2018 the Group repaid this loan in full. Under the agreement the Group continues to have access to the Revolving Credit Facility until it matures on 29 October 2019. As at 31 December 2018, the Group has not drawn down on this facility. The Group has been in compliance with the financial and other covenants within this facility throughout the financial year.

Other financial assets and liabilities

	2018 £m	2017 £m
Current financial asset / (liability) at fair value through profit or loss		
Foreign exchange contracts - asset	5.7	0.1
Foreign exchange contracts - liability	(1.5)	(2.2)
	<u>4.2</u>	<u>(2.1)</u>

Foreign exchange contracts

The group uses forward foreign exchange contracts to manage its transaction exposures incurred in USD and EUR. The foreign exchange contracts are designated as cash flow hedges and are entered into for periods consistent with foreign currency exposure of the underlying transactions, generally from one to six months.

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Foreign exchange contracts are valued using valuation techniques, which employs the use of market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, yield curves of the respective currencies, currency basis spreads between the respective currencies and forward rate curves of the underlying commodity. All derivative contracts are fully cash collateralised, thereby eliminating both counterparty and the Group's own non-performance risk. As at 31 December 2018, the marked-to-market value of derivative liability position is net of a credit valuation adjustment attributable to derivative counterparty default risk. Derivative contracts are categorised as level 2 within the fair value hierarchy.

The net fair value of forward foreign exchange contracts recognised in the statement of financial position was a current asset of £4.2m (2017: current liability of £2.1m). Cashflows relating to these contracts will occur during the year ended 31 December 2019, and gains or losses will be recognised in the same period.

Notes to the financial statements

for the year ended 31 December 2018

18. Trade and other payables

	Group		Company	
	2018	2017	2018	2017
	£m	£m	£m	£m
Current				
Trade payables	21.9	12.2	21.9	12.2
Taxation and social security	3.1	3.9	3.1	3.9
Accruals	6.5	5.4	6.5	5.4
	<u>31.5</u>	<u>21.5</u>	<u>31.5</u>	<u>21.5</u>

19. Provisions

Group and Company	Legal provisions	Dilapidation provisions	Total
	£m	£m	£m
At 1 January 2018	0.5	0.1	0.6
Created during the year	–	0.5	0.5
Utilised/released during the year	(0.5)	–	(0.5)
At 31 December 2018	<u>–</u>	<u>0.6</u>	<u>0.6</u>

Analysis of provisions:

	2018	2017
	£m	£m
Current	–	0.5
Non-current	0.6	0.1

Legal provisions

During 2016 a third-party contractual relationship came to an end and a provision for legal costs relating to the negotiation of any final settlement agreement under this contract was taken up. The Group has assessed the likelihood of any further negotiations relating to this relationship has been to be remote at this point and as such the provision has been released in the year ended 31 December 2018.

Dilapidations provision

Dilapidation provisions have been raised in relation to the office and showroom premises in UK, France and Germany in line with contractual obligations.

Notes to the financial statements

for the year ended 31 December 2018

20. Earnings per share

Basic earnings per share is calculated by dividing the net loss for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share amounts are calculated by dividing the net profit/(loss) attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of any dilutive potential ordinary shares into ordinary shares. The following reflects the income and share data used in the basic earnings per share computations:

	Group 2018	Group 2017
Loss attributable to ordinary equity holders of the parent (£m)	(4.5)	(0.1)
Weighted average number of ordinary shares for basic earnings per share	22,242,713	22,242,713
Basic earnings per share (pence per share)	(20.2)p	(0.5)p

The outstanding share options are non-dilutive for the periods presented.

There have been no other transactions involving actual ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

21. Issued share capital and reserves

Share Capital

As at both 31 December 2018 and 31 December 2017, the authorised share capital for both the Group and the Company consisted of 22,242,713 ordinary shares worth £0.001 each. The authorised share capital is all issued, allotted and fully paid. The share capital of the Group is 100% held by the ultimate parent entity, Made.com Limited, who is the ultimate controlling entity.

During the year ended 31 December 2018, a capital injection of £30.3m was received from the Group's ultimate parent company, Made.com Limited. This has been recognised as an increase in share premium during the year.

Dividends

No dividends have been paid or proposed during the year ended 31 December 2018 (2017: nil).

Nature and purpose of reserves

Foreign currency translation reserve

Exchange differences relating to the translation from the functional currencies of the Group's foreign subsidiaries into Pounds Sterling are accounted for by entries made directly to the foreign currency translation reserve. Note that is reserve arises in the consolidated Group only, not in the Company.

Hedging reserve

The hedging reserve is used to recognise the unrealised gains and losses on cash flow hedges held by the Group that qualify for hedge accounting.

Other reserves

Other reserves relate to the investment in Made.com Design Limited by Made.com Limited.

Notes to the financial statements

for the year ended 31 December 2018

22. Share-based payments

Under the General Employee Share-option Plan (GESP), the Group, at its discretion, may grant share options of the parent to employees and directors. The fair value of share options granted is estimated at the date of grant using a Black-Scholes simulation model, taking into account the terms and conditions upon which the share options were granted. The Group does not have a past practice of cash settlement for these awards. The expense associated with issuing these options is pushed down from the ultimate parent company to the entity in which the employees are employed.

In both the year ended 31 December 2018 and 31 December 2017 the expense recognised in relation to share based payments was less than £50,000 and therefore is shown as £nil in these accounts, which are rounded to the nearest £100,000.

Movements during the year

The following table illustrates the movement in the number of share options outstanding and the weighted average exercise prices during in the years ending 31 December 2018 and 2017:

Group and Company	2018		2017	
	Weighted Average exercise price £	Number of options	Weighted Average exercise price £	Number of options
Outstanding at 1 January	3.48	4,200,420	3.33	4,911,762
Granted	5.75	185,000	5.34	815,000
Exercised during the year	1.93	(114,013)	3.74	(1,184,675)
Lapsed and forfeited during the year	4.83	(58,333)	4.83	(341,667)
Outstanding at 31 December	3.60	4,213,074	3.48	4,200,420
Exercisable at 31 December	3.22	3,478,907	2.79	2,770,420

The average remaining contractual life for the share options outstanding as at 31 December 2018 was 8 years (2017: 8 years).

The Group granted 185,000 share options to employees during the year ended 31 December 2018. Two thirds of the grant has an exercise price of £5.00 and one third has an exercise price of £7.24. The grant will vest in 3 tranches, over a 3 year period from the grant date.

The weighted fair value of the grant, based on the Black-Scholes methodology, was £0.33. The following key inputs were used in this calculation:

	2018
Dividend yield (%)	N/A
Expected volatility (%)	50%
Risk-free interest rate (%)	0.67%
Expected life of share options (periods)	10
Weighted average share price (£)	£2.59

The expected life of the share options is based on historical data and current expectations and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the expected volatility of entities of comparable size and industry.

Notes to the financial statements

for the year ended 31 December 2018

23. Risk management

The Group is exposed to market risk, credit risk, foreign exchange risk and liquidity risk. The Group's principal financial instruments are Trade and other receivables, Trade and other payables, Cash and cash equivalents, loans and borrowings and current financial asset/liability.

This note provides further detail on financial risk management and includes quantitative information on the specific risks the Group is exposed to.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprise three types of risk: interest rate risk, currency risk and other prices risk, such as equity price risk.

The Group's exposure is primarily to the financial risks of changes in foreign currency exchange rates and interest rate risk.

Sensitivity analysis

The Company recognises that movements in certain risk variables (such as interest rates or foreign exchange rates) might affect the value of its other receivables. Therefore the Company has assessed:

- a) What would be reasonably possible changes in the risk variables at the end of the reporting period and
- b) The effects on profit or loss and equity if such changes in the risk variables were to occur.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group has low exposure to interest rate risk as, except for the interest-bearing loan, all trade and other receivables and payables are non-interest bearing.

The Group cash balances are held in current bank accounts and earn immaterial levels of interest. Management has concluded that any changes in the LIBOR rates will have an immaterial impact on interest income earned on the Group cash balances. No interest rate sensitivity has been included in relation to the Group's cash balances.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to foreign exchange risk primarily arises when revenue and expenses are denominated in a different currency from the Group's presentational currency. Foreign exchange risk also arises when the individual entities enter into transactions that are not denominated in their functional currency.

Foreign currency sensitivity

The Group operates internationally and is therefore exposed to a foreign currency transaction risk, primarily on purchases and sales denominated in US dollars and Euros. The Group's presentational currency is Sterling, and therefore the Group is exposed to foreign currency translation risks due to movements in foreign exchange rates on the translation of non-sterling assets and liabilities.

The Group's policy is to match foreign currency transaction exposures where possible. Where appropriate, the Group uses financial instruments in the form of forward exchange contracts to hedge future foreign currency cash flows.

At the end of the reporting period, the Group's exposure to foreign currency is not deemed to have a material impact on receivables and payables balances.

Liquidity risk

Liquidity risk for the Group arises from the management of working capital commitments and meeting its financial obligations as they fall due. The Group's policy is to review cash flow forecasts / projections regularly as well as information regarding cash balances to ensure that it has significant cash to allow it to meet its liabilities when they become due. The Group reviews its long-term funding requirements in parallel with its long-term strategy, with an objective of aligning both in a timely manner. At the reporting date, forecasts indicate that the Group is expected to have sufficient liquidity to meet its financial obligations for the foreseeable future.

A credit facility of £4m was drawn down in October 2016, repayable in instalments until May 2021. This loan was repaid in full in 2018 (refer to note 17).

The Group's remaining financial liabilities all have contractual liabilities of less than one period.

Notes to the financial statements

for the year ended 31 December 2018

23. Risk management (continued)

Credit risk

Credit risk is the risk of financial loss to the group if a customer or counterparty fails to meet its contractual obligations under a financial instrument or customer contract, leading to a financial loss. The Group is mainly exposed to credit risk from its operating activities (primarily for trade receivables – credit sales).

Trade receivables

The Group has a low retail credit risk due to transactions being principally of a high value, low volume and short maturity. The risk of default is considered to be low, and write-offs due to bad debts are extremely low.

Cash deposits

Credit risk from balances with banks and financial institutions is managed in accordance with the Group's policy. The Group deposits cash with reputable financial institutions, from which management believes the possibilities of loss to be remote. The Group's maximum exposure to credit risk for the components of the statement of financial position at 31 December 2018 and 2017 is the carrying amount.

24. Related party transactions

Note 25 provides the information about the Group's structure including the details of the subsidiaries and the holding company.

Transactions with key management personnel

Directors' services

During the year, payments were made to B Hoberman, S Given and N Li, in their capacity as directors of the parent company, for directors services totalling £0.2m (2017: £0.2m). These amounts are included within Note 8 to the accounts.

Share options and remuneration

For details of the share options held by the directors of the company, as well as remuneration of key management personnel of the Group, please refer to Note 8 Employee Benefits and Note 22 Share Based Payments.

25. Group structure

As at 31 December 2018 and 2017, Made.com Design Limited held directly or indirectly* 100% voting shares of the following subsidiaries:

<i>Subsidiaries</i>	<i>Country of Incorporation</i>	<i>Address</i>	<i>Nature of business</i>
Made.com Trading Limited	Hong Kong	Rooms 1312-13, 16-20, 13/F, Hollywood Plaza, 610 Nathan Road, Hong Kong	Holding company
*Made.com Company Limited	China	Suite 706-707, No. 699 Zhaohua Road, Shanghai, China	Sourcing agent, and quality assurance

Both companies are consolidated into these financial statements.

Parent company

The immediate and ultimate parent company of Made.com Design Limited is Made.com Limited, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Made.com Limited is a company incorporated in Gibraltar. The address of its registered office is 28 Irish Town, Gibraltar, GX11 1AA. Copies of the financial statements can be obtained from this address.

Notes to the financial statements

for the year ended 31 December 2018

26. Commitments and contingencies

Group and Company

Operating lease commitments

The Group has entered into leases on certain items of land and building and others.

Future minimum rentals payable under non-cancellable operating leases are as follows:

	2018 £m	2017 £m
Within one year	2.5	0.9
After one year but not more than five years	6.1	8.3
More than five years	–	–
	<u>8.6</u>	<u>9.2</u>

Commitments for capital expenditure

Commitments for the acquisition of property, plant and equipment as of 31 December 2018 are £0.7 (2017: £nil).

Notes to the financial statements

for the year ended 31 December 2018

27. Adjusted EBITDA

The Group defines adjusted EBITDA as profit or loss before tax, interest, depreciation, amortisation, net foreign currency gains and losses incurred on the translation of monetary assets and liabilities, and any items deemed to be exceptional in nature. Exceptional items are defined as transactions that are one-off or material in nature and which have been incurred outside of the normal business operations, including but not limited to business combinations and fund raising activities.

Adjusted EBITDA is a key measure used by the Group's management and Directors to evaluate the Group's operating performance, generate future operating plans and make strategic decisions regarding the allocation of capital. In particular the exclusion of certain expenses in calculating Adjusted EBITDA facilitates operating performance comparisons on period-to-period bases. Accordingly, the Directors believe that Adjusted EBITDA provides useful information to investors and others in understanding and evaluating the Group's operating performance in the same manner as the Group's management and Directors.

Adjusted EBITDA is not a measure of operating performance in accordance with IFRS. Accordingly, these measures should not be considered a substitute for gross profit/(loss), operating profit/(loss), profit/(loss) before tax, cash flow from operating activities or other income or cash flow statement data as determined in accordance with IFRS, or as a measure of profitability or liquidity. Adjusted EBITDA is included in this document as a supplemental disclosure.

Adjusted EBITDA have limitations as analytical tools. Some of these limitations are: (1) Adjusted EBITDA does not reflect cash expenditures or future requirements for capital expenditures of contractual commitments; (2) Adjusted EBITDA does not reflect changes in, or cash requirements for, working capital needs for the Group; (3) Adjusted EBITDA does not reflect finance costs, or the cash requirements necessary to service the principal payments on the Group's debt; (4) Adjusted EBITDA does not reflect taxation or the cash requirement for any tax payments that may represent a reduction in cash available to the Group; and (5) although impairment is a non-cash charge, the assets being impaired will often have to be replaced in the future, and adjusted EBITDA does not reflect any cash requirements for such replacements. In addition, other companies, including companies in the online retail industry, may calculate adjusted EBITDA differently, which reduces their usefulness as a comparative measure.

The following table sets out the reconciliation of Adjusted EBITDA to operating loss:

	Group 2018 £m	Group 2017 £m
Operating loss	(5.3)	(4.5)
Adjustments for:		
Depreciation and impairment of property, plant and equipment	1.0	0.8
Amortisation and impairment of intangible assets	2.1	1.8
Net foreign exchange loss/(gain)	0.8	(0.3)
Exceptional items	1.0	-
Adjusted EBITDA	<u>(0.4)</u>	<u>(2.2)</u>

Exceptional items incurred in the year ended 31 December 2018 include £0.9m of costs related to fund raising activities and £0.1m of costs related to the acquisition of warehousing operations in the UK.