eve sleep plc (formerly eve sleep Limited)

Annual report and consolidated financial statements

Registered number 09261636

31 December 2016

Contents

Company Information

Directors

Paul Pindar (Non-executive Chairman)
Jas Bagniewski (Chief Executive Officer)
Abid Ismail (Chief Financial Officer)
Thomas Enraght-Moony (Non-executive Director)
Peter Hepworth (Non-executive Director)

Secretary
Capita Registrars Limited
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Auditor

KPMG LLP, Statutory Auditor
15 Canada Square
Canary Wharf
London
E14 5GL

Registered office

Interchange Atrium, The Stables Market
Chalk Farm Road
Camden
London
NW1 8AH

Registered number
09261636

Strategic Report

Principal activities

The principal activity of the business is that of an e-commerce retailer selling eve-branded mattresses and other sleep products, including pillows, sheets and duvets.

Business review

The directors are pleased to report a period of further development for the business with revenue growing from £2.6 million in FY15 to £11.9 million in FY16. During the year to 31 December 2016 the Group:

- Raised £13m, before fundraising costs, through the issue of 1,279,005 shares;
- Generated revenue growth across the year from expansion into new overseas markets;
- Introduced new product lines; and
- Continued to develop and enhance its marketing technology in order to become a market-leading online platform.

The Group principally focuses on the design, branding, marketing and selling of its products, with other aspects of its operations, including manufacturing and fulfilment, being outsourced.

The Group's strategy is to continue to penetrate existing territories further, expand into new markets, extend its product range and develop its retail partnerships.

The Group now operates in the UK along with several countries in Europe and the US.

Risks and uncertainties

The principal risks facing the Group are as follows:

- The Group operates in the highly competitive mattress and wider sleep market. To mitigate the risk competitor activity and offerings are reviewed regularly along with market developments, consumers' changing preferences and continual development of the website.
- The Group is reliant on the talent of its people. To ensure the management of this risk, incentive schemes are operated for senior managers and benchmark surveys undertaken for comparable salaries.

Key Performance Indicators

The board and management continue to develop the necessary metrics required to measure the performance of the business across its verticals to facilitate strategic decision making. On a daily, weekly and monthly basis, as appropriate, those metrics include but are not limited to:

- Revenue Growth
- Gross Margin
- Number of Orders
- Cost per acquisition
- Average Order Value

Going Concern

Having considered the prospects and risks as detailed above, the directors also considered it appropriate to prepare the financial statements on the going concern basis, as explained in the basis of preparation in note 1 to the financial statements.

This report was approved by the board on 15 May 2017 and signed on its behalf.

Abid Ismail
Director

Directors' Report

The directors present their annual report and financial statements for the year ended 31 December 2016.

The Company holds direct investment in eve sleep France and eve sleep Inc through which trading activities are carried out. The annual report and financial statements reflect the performance of the consolidated group.

The Company change its name by special resolution to eve sleep plc on 12 May 2017 by special resolution and was formally known as eve sleep limited.

Research and development

During the year, the Group continued to invest considerable resources in developing and building its technology platform, website and other related systems. The Group is committed to this ongoing strategy for all the markets within which it operates.

Financial instrument risk

The Group's operations expose it to a variety of financial risks that include credit risk and liquidity risk. Given the size of the Group, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the directors are implemented by the Group's finance department.

- Credit Risk

The Group has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual counterpart is subject to the limits which are monitored regularly to ensure no undue exposure to customer failure exists.

- Liquidity Risk

Liquidity risk management is detailed in note 15 to the financial statements.

Dividends

The directors do not recommend the payment of a dividend (2015: £nil)

Directors

The following persons served as directors during the year and since the year end:

Paul Pindar (Non-executive Chairman)
Jas Bagniewski (Chief Executive Officer)
Abid Ismail (Chief Financial Officer)
Lawrence Barclay (Non-executive Director)
Luke Hakes (Non-executive Director)
Nenad Marovac (Non-executive Director)
Kuba Wieczorck (Chief Marketing Officer)

Political donations

The Company made no political donations and incurred no political expenditure during the year (2015: £nil).

Disclosure of information to auditor

Each person who was a director at the time this report was approved confirms that:

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

Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on page 2.

Auditor

Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

This report was approved by the board on 15 May 2017 and signed on its behalf.

Abid Ismail
Director

Statement of Directors' Responsibilities in respect of the annual report and the financial statements

The directors are responsible for preparing the annual report and 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 UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including IFRS.

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 of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF eve Sleep plc

We have audited the financial statements of eve Sleep plc for the year ended 31 December 2016 set out on pages 8 to 35. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

(a) Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

(b) Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2016 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 EU;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

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

Craig Douglas (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
E14 5GL
15 May 2017

Consolidated Income Statement
for year ended 31 December 2016

	Note	2016	15 Month period ended 2015
		£	£
Revenue	2	**11,966,770**	2,628,109
Cost of sales		**(6,152,136)**	(1,367,737)
Gross profit		**5,814,634**	1,260,372
Distribution expenses		**(1,231,308)**	(74,214)
Administrative expenses		**(15,921,078)**	(2,686,847)
Operating loss	3	**(11,337,752)**	(1,500,689)
Loss before tax		**(11,337,752)**	(1,500,689)
Taxation	5	**-**	-
Loss for the year/period		**(11,337,752)**	(1,500,689)

There was no other comprehensive income for the year. All results relate to continuing activities.

Notes 1 to 18 form part of the historical financial information shown above.

Consolidated Balance Sheet

At 31 December 2016

	Note	2016 £	2015 £
Assets			
Non-current assets			
Property, plant and equipment	7	7,945	-
		7,945	-
Current assets			
Inventories	9	491,181	-
Trade and other receivables	10	1,049,660	420,145
Cash and cash equivalents	11	4,639,355	1,559,467
		6,180,196	1,979,612
Total assets		6,188,141	1,979,612
Current liabilities			
Trade and other payables	12	2,186,241	193,501
Provisions	13	715,097	174,135
		2,901,338	367,636
Total liabilities		2,901,338	367,636
Net assets		3,286,803	1,611,976
Equity attributable to equity holders of the parent			
Share capital	14	316	226
Share premium		16,124,928	3,112,439
Retained earnings		(12,838,441)	(1,500,689)
Total equity		3,286,803	1,611,976

Notes 1 to 18 on pages 12 to 27 form part of the historical financial information shown above.

These financial statements were approved by the board of directors on eve sleep Limited and were signed on its behalf by:

Abid Ismail
Director

15 May 2017

Company registered number: 09261636

Consolidated Statement of Changes in Equity

	Share capital £	Share premium £	Retained Earnings £	Total equity £
Balance at 13 October 2014	-	-	-	-
Total comprehensive income for the period				
Loss for the period	-	-	(1,500,689)	(1,500,689)
Issue of shares	226	3,112,439	-	3,112,665
Balance at 31 December 2015	**226**	**3,112,439**	**(1,500,689)**	**1,611,976**

	Share capital £	Share premium £	Retained Earnings £	Total equity £
Balance at 1 January 2016	226	3,112,439	(1,500,689)	1,611,976
Total comprehensive income for the period				
Loss for the year	-	-	(11,337,752)	(11,337,752)
Issue of shares	90	13,012,489	-	13,012,579
Balance at 31 December 2016	**316**	**16,124,928**	**(12,838,441)**	**3,286,803**

Notes 1 to 18 on pages 12 to 27 form part of the historical financial information shown above.

Consolidated Cash Flow Statement
for year ended 31 December 2016

	Note	2016 £	15 Month period ended 2015 £
Cash flows from operating activities			
Loss for the year/period		**(11,337,752)**	(1,500,689)
Adjustments for:			
Depreciation		**2,647**	-
Increase in trade and other receivables		**(629,515)**	(420,145)
Increase in inventories		**(491,181)**	-
Increase in trade and other payables		**1,992,740**	193,501
Increase in provisions – net	*13*	**540,962**	174,135
Net cash from operating activities		**(9,922,099)**	(1,553,198)
Cash flows from investing activities			
Acquisition of property, plant and equipment		**(10,592)**	-
Net cash from investing activities		**(10,592)**	-
Cash flows from financing activities			
Proceeds from the issue of share capital	*14*	**13,012,579**	3,112,665
Net cash from financing activities		**13,012,579**	3,112,665
Net increase in cash and cash equivalents		**3,079,888**	1,559,467
Cash and cash equivalents at 1 January 2016		**1,559,467**	0
Cash and cash equivalents at 31 December 2016	*11*	**4,639,355**	1,559,467

Notes 1 to 18 on pages 12 to 27 form part of the historical financial information shown above.

Notes

(forming part of the financial statements)

1 Accounting policies

eve sleep Limited (the "Company") is a private company incorporated, domiciled and registered in England in the UK. The registered number is 09261636 and the registered address is Interchange Atrium, The Stables Market, Chalk Farm Road, London, England, NW1 8AH.

The group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group").

The Group financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"). The Group is a first time adopter of IFRS in these accounts. The date of transition to IFRS is the date of incorporation of the company, being 13 October 2014 therefore no exemptions allowed by IFRS 1 have been taken. No reconciliations from the previous statutory accounts have been provided as those accounts did not include consolidated numbers.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these Group financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 1.15.

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 December 2016 or period ended 2015. Company-only statutory accounts for 2015, prepared under the Financial Reporting Standard for Smaller Entities (FRSSE), have been delivered to the registrar of companies. Consolidated statutory accounts for 2016, prepared under EU-IFRS, will be delivered in due course. The auditor has reported on the 2016 statutory accounts and their report was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006. The 2015 statutory accounts were unaudited

1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

1.2 Going Concern

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. The going concern basis of accounting has therefore been adopted in preparing the financial statements.

The Directors have assessed the Group's need for further funding in order to support future strategic aspirations of continued growth and have prepared cash flow forecasts to assess both immediate and long term working capital requirements. Post 31 December 2016, the Group secured additional capital of £4,994,003 by way of an issue of A preference shares at a premium from an existing investor to support current growth expectations. The consideration paid was £5,000,000 less legal fees of £5,997. They consider that a listing through an Initial Public Offering, (IPO) will generate the additional capital required in order to fulfil longer term stability of the Group and they have commenced this process, refer to note 18. It is anticipated that the IPO will occur on 17 May 2017.

The directors have also considered the alternative scenario whereby the IPO does not take place on 17 May 2017 and consider that it is still appropriate to prepare the financial statements on the going concern basis. The alternative scenario is based upon modified cash flow forecasts which see a reduction in investment in both business development and headcount. The alternative scenarios demonstrate that the Group will have sufficient resources available to meet their liabilities as the fall due for the foreseeable future in order to conclude that the going concern basis of preparation still remains appropriate.

1.3 Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights. The acquisition date is the date on which control is transferred to the acquirer. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

1.4 Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement [except for differences arising on the retranslation of a financial liability designated as a hedge of the net investment in a foreign operation that is effective, or qualifying cash flow hedges, which are recognised directly in other comprehensive income]. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency, Sterling, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions.

Exchange differences arising from this translation of foreign operations are reported as an item of other comprehensive income and accumulated in the foreign currency translation reserve (FCTR) or non-controlling interest, as the case may be. When a foreign operation is disposed of, such that control, joint control or significant influence (as the case may be) is lost, the entire accumulated amount in the FCTR net of amounts previously attributed to non-controlling interests, is recycled to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while still retaining control, the relevant proportion of the accumulated amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while still retaining significant influence or joint control, the relevant proportion of the cumulative amount is recycled to profit or loss.

1.5 Classification of financial instruments issued by the Group

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

(a) they include no contractual obligations upon the group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group; and

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

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

1.6 Non-derivative financial instruments

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

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost less any impairment losses.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

1.7 Property, plant and equipment

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

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

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment.

The estimated useful lives are as follows:

- computer equipment 3 years
- fixtures and fittings 3 years

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

1.8 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on the weighted average principle and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs in bringing them to their existing location and condition. A provision is also made to write down any slow-moving or obsolete inventory to net realisable value. The provision is £610,596 at 31 December 2016 (2015: £0)

1.9 Investments

Investments in subsidiary companies are stated at cost and are subject to review for impairment indicator if identified.

1.10 Impairment excluding inventories

Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

1.11 Provisions

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

1.12 Revenue

Revenue and profit before tax are attributable to the one principal activity of the business. Revenue represents the net sales of goods including freight, excluding value added tax. Revenue from the sale of goods is recognised when the Group has transferred the goods to the buyer on despatch from the warehouse, less appropriate deduction for actual and expected returns (refer to refund provision under 1.15 below) and relevant discounts.

1.13 Expenses

Operating lease payments

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

Financing income and expenses

Financing expenses comprise interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the income statement (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset. Financing income comprise interest receivable on funds invested, dividend income, and net foreign exchange gains.

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

1.14 Taxation

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

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

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

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

1.15 Significant estimates and judgements

The preparation of financial statements in conformity with IFRS as adopted by the EU requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. The estimates and assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances. Actual results could differ from these estimates and any subsequent changes are accounted for when such information becomes available. The judgements, estimates and assumptions that are the most subjective or complex are discussed below:

Refund Provision

As per 1.12 above, revenue is stated after a refund provision. A provision for sales refunds is estimated based on recent historical returns and management's best estimates and are recorded so as to allocate them to the period in which the original revenue is recorded. Actual returns could differ from these estimates. Please refer to note 13 below for details.

Inventory valuation

Inventory is carried at the lower of cost or net realisable. The estimation of net realisable value may be different from the future actual value realised due provisions for slow moving or obsolete inventory. The provision for slow moving or obsolete inventory is based upon an analysis of the inventory turnover and management's best estimates. Actual net realisable value may be different from these estimates.

1.16 Adopted IFRS not yet applied

The following Adopted IFRSs have been issued but have not been applied by the Group in these financial statements. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated:

- IFRS 9 Financial Instruments (effective date 1 January 2018).
- IFRS 15 Revenue from Contract with Customers (effective date 1 January 2018).
- IFRS 16 Leases (effective 1 January 2019).
- Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses (1 January 2017 – not yet endorsed).
- Amendments to IAS 7: Disclosure Initiative (1 January 2017 – not yet endorsed).
- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions (1 January 2018 – not yet endorsed).
- Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (1 January 2018 – not yet endorsed).

Notes *(continued)*

2 Segmental analysis

IFRS 8, "Operating Segments", requires operating segments to be determined based on the Group's internal reporting to the Chief Operating Decision Maker. The Chief Operating Decision Maker has been determined to be the executive board and has determined that the primary segmental reporting format of the Group is geographical by customer location, based on the Group's management and internal reporting structure.

The executive board assesses the performance of each segment based on revenue and gross profit after distribution expenses, which excludes administrative expenses

See note 1.11 for the Group's accounting policy on revenue recognition.

	Year ended 31 December 2016			
	UK	**Rest of Europe**	**Rest of the World**	**Total**
Revenue	7,733,404	3,150,950	1,082,416	11,966,770
Cost of sales	(3,781,404)	(1,769,754)	(600,978)	(6,152,136)
Gross profit	3,952,000	1,381,196	481,438	5,814,634
Distribution expenses	(628,538)	(369,591)	(233,178)	(1,231,308)
Segment results	3,323,461	1,011,605	248,260	4,583,326
Administration expenses	-	-	-	(15,921,078)
Operating profit	-	-	-	(11,337,752)
Loss before tax	-	-	-	(11,337,752)

	15 Month period ended 31 December 2015			
	UK	**Rest of Europe**	**Rest of the World**	**Total**
Revenue	2,375,091	219,286	33,732	2,628,109
Cost of sales	(1,221,674)	(128,366)	(17,697)	(1,367,737)
Gross profit	1,153,417	90,920	16,035	1,260,372
Distribution expenses	(58,502)	(11,329)	(4,383)	(74,214)
Segment results	1,094,915	79,591	11,652	1,186,158
Administration expenses	-	-	-	(2,686,847)
Operating profit	-	-	-	(1,500,689)
Loss before tax	-	-	-	(1,500,689)

All of the Group's revenue is from sale of goods. The Group is an e-commerce focused sleep brand which designs and sells mattresses and other sleep products such as pillows and duvets. The Group principally focuses on the design, branding and marketing of its products, with other aspects of its operations, including manufacturing and fulfilment, being outsourced. The majority of the Group's sales are to individual customers with a smaller proportion of sales to retail distributors. Accordingly the Group is not reliant on any individual major customer, however year end trade receivables represent amounts due from a smaller number of retail distributor customers under credit terms. Refer to note 10 regarding the concentration of the outstanding balance at the year end.

No analysis of the assets and liabilities of each operating segment is provided to the Chief Operating Decision Maker in the monthly management accounts. Therefore no measure of segmental assets or liabilities is disclosed in this note.

There are no material non-current assets located outside the UK.

3 Expenses and auditors' remuneration

Included in profit/loss are the following:

	2016 £	15 Month period ended 2015 £
Depreciation of property, plant and equipment	**2,647**	-
Cost of inventory recognised as an expense	**610,596**	-
Adjustment of inventories to net realisable value	**92,969**	-

Included in profit/loss are the following:

Auditor's remuneration:

	2016 £	15 Month period ended 2015 £
Audit of these financial statements	**47,500**	17,500

4 Staff numbers and costs

The average number of persons employed by the Group (including directors) during the year, analysed by category, was as follows:

	Number of employees 2016	15 Month period ended 2015
Finance	3	1
Marketing	15	4
Operations	33	7
	51	12

The aggregate payroll costs of these persons were as follows:

	2016	15 Month period ended 2015
	£	£
Wages and salaries	2,356,332	196,825
Social Security Costs	202,929	12,861
	2,559,261	209,686

The aggregate compensation to key management personnel, being the Directors of eve sleep Limited (Executive and Non-Executive), was as follows:

	2016	15 Month period ended 2015
	£	£
Short term employee benefits	245,032	33,925
	245,032	33,925

5 Taxation

Recognised in the income statement

	2016	15 Month period ended 2015
	£	£
Current tax expense	-	-
Current year	-	-
Deferred tax expense	-	-
Total tax expense	-	-

Reconciliation of effective tax rate

	2016 £	15 Month period ended 2015 £
Loss for the year	(11,337,752)	(1,500,689)
Total tax expense	-	-
Loss excluding taxation	(11,337,752)	(1,500,689)
Tax using the UK corporation tax rate of 20 % (2015:20.38%)	(2,267,550)	(305,840)
Non-deductible expenses	64,716	41,559
Current year losses for which no deferred tax asset was recognised	2,202,834	264,281
Total tax expense	-	-

The Group has accumulated tax losses available for offset against future profits of £12,310,941 (2015: £1,296,769). A deferred tax asset has not be recognised in respect of these losses as there is uncertainty regarding the timing of when these losses will be recovered.

The UK corporation tax rate has decreased from 20% to 19% from 1 April 2017 and will decrease to 17% from 1 April 2020.

6 Earnings per Share

Basic earnings per share is calculated by dividing the profit attributable to the owners of the parent company by the weighted average number of ordinary shares in issue during the year.

Diluted earnings per share is calculated by dividing the profit attributable to the owners of the parent company by the number of ordinary shares in issue during the period, adjusted for the effects of potentially dilutive share options.

	2016	15 Month period ended 2015
Weighted average shares in issue for basic earnings per share (no. of shares)	2,691,942	1,808,014
Weighted average shares in issue for diluted earnings per share (no. of shares)	2,691,942	1,808,014
Loss attributable to owners of the parent company from continuing operations	(11,337,752)	(1,500,689)
Basic loss per share (pence)	(421)p	(83)p
Diluted loss per share (pence)	(421)p	(83)p

EPS and diluted EPS are not calculated for each class of share as the shares carry the same right to share in profit or loss for a period.

As at 31 December 2016, number of options outstanding amounted to 795,606. Given the loss in the year to 31 December 2016 £11,337,752 (2015: £1,500,689 loss), these options are anti-dilutive.

Subsequent to the year end, all share options in issue prior to 31 December 2016 were cancelled. No charges are reflected in 2016 or 2015 in respect of these share options as the amounts are not material.

7 Property, plant and equipment

	Plant and equipment £	Fixtures & fittings £	Total £
Cost			
Balance at 1 January 2016	-	-	-
Acquisitions	7,326	3,266	10,592
Balance at 31 December 2016	7,326	3,266	10,592
Depreciation and impairment			
Balance at 1 January 2016	-	-	-
Depreciation charge for the year	1,831	816	2,647
Balance at 31 December 2016	1,831	816	2,647
Net book value			
At 31 December 2015	-	-	-
At 31 December 2016	**5,495**	**2,450**	**7,495**

There were no additions to property, plant and equipment in the period ended 31 December 2015.

8 Investments in subsidiaries

The Company has the following investments in subsidiaries.

Company	Principal place of business/ Registered office address	Registered number	Ownership 2016	2015
eve sleep Inc	185 W. Broadway, Suite 101, PO Box 1150, Jackson	EIN 47-4164566	100%	100%
eve sleep SASU	5 Rue Des Suisses, 75014 Paris	823397419 R.C.S PARIS	100%	-

All operating subsidiaries are included in the consolidated financial statements. No subsidiaries have non-controlling interests.

9 Inventories

	2016 £	2015 £
Finished goods	491,181	-
	491,181	-

The write-down of inventories to net realisable value amounted to £703,565 (2015: £30,000). Inventory days were 60 days in 2016 (2015: 60 days)

10 Trade and other receivables

	2016 £	2015 £
Trade receivables	322,503	47,000
Other receivables	494,806	-
Prepayments	232,351	373,145
Current	1,049,660	420,145

Trade and other receivables represent amounts due from wholesale and retail customers.

The average credit period offered on sales of goods during 2016 was 60 days (2015: 60 days). The average days sales outstanding ("DSO") in 2016 was 60 days (2015: 60 days).

The Group has not charged interest for late payment of invoices in the current year or prior period.

Allowances against doubtful debts are estimated by reference to irrecoverable amounts based on past default experience. Specific counterparty risk is also considered where an analysis of the counterparty's current financial position indicates a change in credit risk.

Before accepting any significant new customer, the Group uses a variety of credit scoring systems to assess the potential customer's credit quality and to define credit limits for each customer. Limits and scoring attributed to customers are reviewed regularly.

A single major retailer customer for 72% of the total balance of trade receivables on 31 December 2016 (2015: 65%). No other single customer accounted for more than 10% of the total balance of trade receivables net of allowances for doubtful debts during the period under review.

Trade receivables disclosed above include amounts (see below for aged analysis) which are past due at the year-end but against which the Group has not recognised an allowance for doubtful receivables. There has not been a significant change in credit quality and the amounts are still considered recoverable.

Ageing of receivables	2016 £	2015 £
Not overdue	294,172	42,790
Overdue between 0-30 days	4,203	805
Overdue between 31- 60 days	3,664	-
Overdue between 61- 90 days	20,464	3,405
Total	322,503	47,000

In determining the recoverability of a trade receivable the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the relevant year-end. Aside from the single major retail customer accounting for the year end trade receivable balance mentioned above, the concentration of credit risk is limited due to the customer base being large and diverse.

11 Cash and cash equivalents

	2016 £	2015 £
Cash and cash equivalents per balance sheet	4,639,355	1,559,467
Cash and cash equivalents per cash flow statement	4,639,355	1,559,467

12 Trade and other payables

	2016 £	2015 £
Current		
Trade payables	1,424,718	140,000
Non-trade payables and accrued expenses	463,856	53,501
Taxes and social security payable	297,667	-
	2,186,241	193,501

13 Provisions

	Refunds £	Sales Return £	Total £
Balance at 1 January 2016	174,135	-	174,135
Provisions made during the year	560,683	154,414	715,097
Provisions used during the year	(174,135)	-	(174,135)
Balance at 31 December 2016	560,683	154,414	715,097
Current	560,683	154,414	715,097

A refund provision is required as the Group provides certain products to customers under a 100 day trial period. During this period the customer is entitled to return goods for a full refund. The provision is calculated by reference to the rate of returns experienced by the Group in preceding periods and the level of sales subject to the

100 day trial period at the year end. An analysis of the rate of return over historical periods does not indicate a significant variation in the rate of refunds provided to customers and accordingly, whilst there is a degree of estimation in the calculation of this provision, any reasonable sensitivity analysis in the rate applied to sales at the year end would not result in a material impact.

A sales return provision is required as inventory purchased by wholesale customers may be returned under warranty or other contractual conditions. The Group is able to monitor the level of inventory held by third parties in order to identify the level of returns likely to arise at period ends. There is only a small degree of estimation in calculating the provision as the actual level of inventory held, subject to the provision, is observable.

14 Capital and reserves

Share capital

Ordinary shares

	Ordinary shares of [illegible] share	Ordinary shares A of £0.0001 per share	Ordinary shares B of £0.0001 per share	Ordinary shares C of £0.0001 per share
In issue at 1 January 2016	1,204,600	313,283	68,500	-
Issued for cash		425,497	-	165,412
Shares cancelled	(374,200)	-	-	-
In issue at 31 December 2016 – fully paid	830,400	738,780	68,500	165,412

Preference shares

	Preferred shares of £0.0001 per share	Preferred shares A of £0.0001 per share
On issue at 1 January 2016	358,600	313,283
Issued for cash and cash equivalents	-	688,096
On issue at 31 December 2016 – fully paid	358,600	1,001,379

	2016 No	2016 £	2015 No	2015 £
Allotted, called up and fully paid				
Ordinary shares of £0.0001 each	1,803,092	180	1,586,383	159
Preference shares of £0.0001 each	1,359,979	136	671,883	67
	3,163,071	316	2,258,266	226

The Company has two classes of ordinary preference share; A Preference Shares of £0.0001 each and Preference Shares of £0.0001 each. The preference shares are non-redeemable. The holders of preference shares are entitled to be repaid out of the proceeds of a sale or on a liquidation in advance of the ordinary shares on the basis more particularly set out in the articles. Each preference share is entitled to one vote per share at meetings of the Company. The preference shares are not entitled to any cumulative, accruing or fixed dividends.

The Company has four classes of ordinary shares; Ordinary Shares of 0.0001 each, A Ordinary Shares of £0.0001 each, B Ordinary Shares of £0.0001 each and C Ordinary Shares of £0.0001 each. All classes of ordinary shares are entitled to one vote per share at meetings of the Company, save for the B Ordinary Shares which are not entitled to a vote.

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

During the year, the Company issued 1,279,005 £0.0001 shares for a consideration of £13,084,743 less legal fees of £72,164, settled in cash and cash equivalents. On 27 September 2016, 374,200 existing Ordinary Shares with a nominal value of £0.0001 were cancelled. Of the 374,200 that were cancelled, 220,900 were purchased back at no value and were held in treasury. The resulting total share capital being 830,400 (excluding 220,900 held in treasury) Ordinary Shares of £0.0001 each, 738,780 Ordinary A Shares of £0.0001 each, 68,500 Ordinary B Shares of £0.0001 each, 165,412 C Ordinary Shares of £0.0001 each, 358,600 Preferred Shares of £0.0001 each and 1,001,379 Preferred A Shares of £0.0001 each.

15 Financial instruments

Categories of financial instruments

	31 December 2016	31 December 2015
Financial Assets		
Loans and Receivables	**5,456,664**	1,606,467
Financial Liabilities		
Amortised cost	**2,186,241**	193,501

'Loans and receivables' includes trade and other receivables and cash and cash equivalents and excludes prepayments. Included in 'Financial liabilities at amortised cost' are trade payables, accruals and other payables. The carrying value of financial assets and liabilities approximates their fair value.

Financial instruments

Risk management

The Company seeks to reduce exposures to capital risk, liquidity risk, credit risk and foreign currency risk, to ensure liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. The Group does not engage in speculative trading in financial instruments and transacts only in relation to underlying business requirements. The Group's treasury policies and procedures are periodically reviewed and approved by the Board.

Capital risk

The Group's objectives when managing capital (defined as cash and cash equivalents plus equity attributable to owners of the parent) are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders through an appropriate amount of equity funding, while maintaining a strong credit rating and sufficient headroom. The Group makes adjustments to its capital structure in light of changes to economic conditions and the Group's strategic objectives

Credit risk

Credit risk is the risk that a counterparty may default on its obligation to the Group in relation to lending, hedging, settlement and other financial activities. The Group's principal financial assets are trade and other receivables, bank balances, and cash in hand. The Group's credit risk is primarily attributable to its trade and other receivables. The amounts included in the Statement of Financial Position are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of cash flows. The Group has a low retail credit risk due to transactions being principally of high volume, low value and short maturity. Whilst a significant proportion of trade receivables is with a few customers the Group assessed the risk of default as low due to the nature of these customers to be large well established retailers with which the Group has a good relationship. The credit risk on liquid funds is considered to be low, as the company limits the value that can be placed with each approved counterparty to minimise the risk of loss.

Liquidity risk

The Group manages its exposure to liquidity risk by continuously monitoring short- and long-term forecasts and actual cash flows and ensuring it has the necessary banking and reserve borrowing facilities available to meet the requirements of the business.

Foreign currency risk

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

Foreign currency sensitivity

The Group's principal financial instrument foreign currency exposures are to US dollars and EURO's. The table below illustrates the hypothetical sensitivity of the Group's reported profit before tax and closing equity to a 10% increase and decrease in the value of each of these currencies relative to pounds sterling at the reporting date, assuming all other variables remain unchanged. The sensitivity rate of 10% is deemed to represent a reasonably possible change based on historic exchange rate volatility.

The following assumptions were made in calculating the sensitivity analysis:

- all sensitivities affecting the Statement of Total Comprehensive Income also impact equity
- translation of foreign subsidiaries and operations into the Group's presentation currency has been excluded from the sensitivity analysis

	2016	2015	2016	2015
Sterling strengthen by 10% against:	£	£	£	£
US Dollar	(347)	-	(347)	-
Euro	(2,974)	-	(2,974)	-
Sterling weakens by 10% against:				
US Dollar	2,974	-	2,974	-
Euro	347	-	347	-

A 10% percent weakening/strengthening of the following currencies against the pound sterling at 31 December 2016 would have increased (decreased) equity and profit or loss by 0.029%. This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date.

16 Contingencies

There were no contingent liabilities to be disclosed.

17 Related parties

Identity of related parties with which the Group has transacted

Transactions with key management personnel

The compensation of directors is as follows:

	2016	2015
	£	£
Directors and Key Management Personnel remuneration including social security costs	163,897	42,925
	163,897	42,925

Other related party transactions

During the period, the Group paid K Wieczorck (Director) £58,037 (2015:£106,860) for consultancy services provided. The balance owing to him as at 31 December 2016 was nil.

A £6,000 loan was made to a director in December 2016. The loan resulted from the director incurring personal expenses on his personal credit card; the Company paid the entire bill amount and the portion of personal expenses on the bill was recorded as a loan to the director. This was repaid in January 2017.

The Group has previously entered into arrangements with Kuba Wieczorek (through Kuba Photography, which is owned by Kuba Wieczorek; Kuba Photography rented photography equipment and passed it on to the Group at cost price), Silas Moore (design consultancy services), James Kydd (marketing consultancy services) and Natalie Bowen (commercial partnerships manager). There were no formal agreements in place for any of these arrangements. The arrangements with Kuba Wieczorek, Silas Moore and James Kydd have now been terminated. Natalie Bowen is now an employee of the Company.

18 Subsequent event

On 15 March 2017, an investor subscribed for a further 206,773 Preference Shares. This investment was required to fund the Company's short-term cash requirements and was made to protect the investor's original investment while the business sought a longer -term funding solution.

The Company's board of Directors (the Board) has been considering various options for the future of the Company and has sought to identify the most suitable path for developing the business of the Company. The Board has concluded that it would be in the best interests of the Shareholders and to the benefit of the Company, its customers and employees, for the Company to see an initial public offering (the IPO) and for its Shares to be admitted to trading on AIM (Admission). In applying for admission on AIM the Company re-organised its share capital and re-registered as a public company on the 24th of April 2017.

Company Balance Sheet
At 31 December 2016

	Note	2016	2015
		£	£
Assets			
Non-current assets			
Property, plant and equipment	2	**7,945**	-
Investments	3	**1,669**	675
		9,614	675
Current assets			
Inventories	4	**491,181**	-
Trade and other receivables	5	**1,004,629**	420,145
Cash and cash equivalents	6	**4,561,437**	1,559,467
		6,057,247	1,980,287
Total assets		**6,066,861**	1,980,287
Current liabilities			
Trade and other payables	7	**2,053,006**	193,501
Provisions	8	**435,052**	174,136
		2,488,058	367,637
Total liabilities		**2,488,058**	367,637
Net assets		**3,578,803**	1,612,650
Equity attributable to equity holders of the parent			
Share capital	9	**316**	226
Share premium		**16,124,928**	3,112,439
Foreign Currency Translation Reserve		**5,996**	-
Retained earnings		**(12,552,437)**	(1,500,015)
Total equity		**3,578,803**	1,612,650

Notes 1 to 11 on pages 29 to 35 form part of the historical financial information shown above.

These financial statements were approved by the board of directors on eve sleep Limited and were signed on its behalf by:

Abid Ismail
Director

Company registered number: 09261636

Notes

(forming part of the financial statements)

1 Accounting policies

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) interpretations, as adopted by the European Union, and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. As at the year end, these are the standards, subsequent amendments and related interpretations issued and adopted by the International Accounting Standards Board (IASB) that have been endorsed by the European Union.

The financial statements are prepared under the historical cost convention. The accounting policies have been applied consistently in the current and prior years. The financial statements have been prepared on a going concern basis as explained in the Directors' Report.

No new accounting standards or amendments issued during the year have had, or are expected to have, any significant impact on the Company.

The financial statements are presented in sterling. The Company's principal accounting policies are the same as those set out in Note 1 of the Group financial statements, with the addition of those included within the relevant notes below. Unless otherwise stated, these policies have been consistently applied to all the periods presented.

Notes

2 Property, plant and equipment

	Plant and equipment £	Fixtures & fittings £	Total £
Cost			
Balance at 1 January 2016	-	-	-
Acquisitions	7,326	3,266	10,592
Balance at 31 December 2016	7,326	3,266	10,592
Depreciation and impairment			
Balance at 1 January 2016	-	-	-
Depreciation charge for the year	1,831	816	2,647
Balance at 31 December 2016	1,831	816	2,647
Net book value			
At 31 December 2015	-	-	-
At 31 December 2016	**5,495**	**2,450**	**7,495**

There were no additions to property, plant and equipment in the period ended 31 December 2015.

3 Investments in subsidiaries

The Company has the following investments in subsidiaries.

Company	Principal place of business/ Registered office address	Registered number	Ownership 2016	Ownership 2015
eve sleep Inc	185 W. Broadway, Suite 101, PO Box 1150, Jackson	EIN 47-4164566	100%	100%
eve sleep SASU	5 Rue Des Suisses, 75014 Paris	823397419 R.C.S PARIS	100%	-

All operating subsidiaries are included in the consolidated financial statements. No subsidiaries have non-controlling interests.

4 Inventories

	2016 £	2015 £
Finished goods	**491,181**	-
	491,181	-

The write-down of inventories to net realisable value amounted to £703,565 (2015: £30,000). Inventory days were 60 days in 2016 (2015: 60 days)

5 Trade and other receivables

	2016 £	2015 £
Trade receivables	**322,503**	47,000
Other receivables	**449,775**	-
Prepayments	**232,351**	373,145
Current	**1,004,629**	420,145

Trade and other receivables represent amounts due from wholesale and retail customers.

The average credit period offered on sales of goods during 2016 was 60 days (2015: 60 days). The average days sales outstanding ("DSO") in 2016 was 60 days (2015: 60 days).

The Company has not charged interest for late payment of invoices in the current year or prior period.

Allowances against doubtful debts are estimated by reference to irrecoverable amounts based on past default experience. Specific counterparty risk is also considered where an analysis of the counterparty's current financial position indicates a change in credit risk.

Before accepting any significant new customer, the Company uses a variety of credit scoring systems to assess the potential customer's credit quality and to define credit limits for each customer. Limits and scoring attributed to customers are reviewed regularly.

A single major retailer customer for 72% of the total balance of trade receivables on 31 December 2016 (2015: 65%). No other single customer accounted for more than 10% of the total balance of trade receivables net of allowances for doubtful debts during the period under review.

Trade receivables disclosed above include amounts (see below for aged analysis) which are past due at the year-end but against which the Company has not recognised an allowance for doubtful receivables. There has not been a significant change in credit quality and the amounts are still considered recoverable.

Ageing of receivables	2016 £	2015 £
Not overdue	**294,172**	**42,790**
Overdue between 0-30 days	**4,203**	**805**
Overdue between 31- 60 days	**3,664**	-
Overdue between 61- 90 days	**20,464**	**3,405**
Total	**322,503**	**47,000**

In determining the recoverability of a trade receivable the Company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the relevant year-end. Aside from the single major retail customer accounting for the year end trade receivable balance mentioned above, the concentration of credit risk is limited due to the customer base being large and diverse.

6 Cash and cash equivalents

	2016 £	2015 £
Cash and cash equivalents per balance sheet	**4,561,437**	1,559,467
Cash and cash equivalents per cash flow statement	**4,561,437**	1,559,467

7 Trade and other payables

	2016 £	2015 £
Current		
Trade payables	**1,424,718**	140,000
Non-trade payables and accrued expenses	**463,856**	53,501
Taxes and social security payable	**164,432**	-
	2,053,006	193,501

8 Provisions

	Refunds £	Sales Return £	Total £
Balance at 1 January 2016	174,135	-	174,135
Provisions made during the year	560,683	154,414	435,052
Provisions used during the year	(174,135)	-	(174,135)
Balance at 31 December 2016	**560,683**	**154,414**	**435,052**
Current	560,683	154,414	435,052

A refund provision is required as the Company provides certain products to customers under a 100 day trial period. During this period the customer is entitled to return goods for a full refund. The provision is calculated by reference to the rate of returns experienced by the Company in preceding periods and the level of sales subject to the 100 day trial period at the year end. An analysis of the rate of return over historical periods does not indicate a significant variation in the rate of refunds provided to customers and accordingly, whilst there is a degree of estimation in the calculation of this provision, any reasonable sensitivity analysis in the rate applied to sales at the year end would not result in a material impact.

A sales return provision is required as inventory purchased by wholesale customers may be returned under warranty or other contractual conditions. The Company is able to monitor the level of inventory held by third parties in order to identify the level of returns likely to arise at period ends. There is only a small degree of estimation in calculating the provision as the actual level of inventory held, subject to the provision, is observable.

9 Capital and reserves

Share capital

Ordinary Shares	Ordinary shares of £ share	Ordinary shares A of £0.0001 per share	Ordinary shares B of £0.0001 per share	Ordinary shares C of £0.0001 per share
In issue at 1 January 2016	1,204,600	313,283	68,500	-
Issued for cash		425,497	-	165,412
Shares cancelled	(374,200)	-	-	-
In issue at 31 December 2016 – fully paid	830,400	738,780	68,500	165,412

Preference Shares	Preferred shares of £0.0001 per share	Preferred shares A of £0.0001 per share
On issue at 1 January 2016	358,600	313,283
Issued for cash and cash equivalents	-	688,096
On issue at 31 December 2016 – fully paid	358,600	1,001,379

	2016 No	2016 £	2015 No	2015 £
Allotted, called up and fully paid				
Ordinary shares of £0.0001 each	1,803,092	180	1,586,383	159
Preference shares of £0.0001 each	1,359,979	136	671,883	67
	3,163,071	316	2,258,266	226

The Company has two classes of ordinary preference share; A Preference Shares of £0.0001 each and Preference Shares of £0.0001 each. The preference shares are non-redeemable. The holders of preference shares are entitled to be repaid out of the proceeds of a sale or on a liquidation in advance of the ordinary shares on the basis more particularly set out in the articles. Each preference share is entitled to one vote per share at meetings of the Company. The preference shares are not entitled to any cumulative, accruing or fixed dividends.

The Company has four classes of ordinary shares; Ordinary Shares of 0.0001 each, A Ordinary Shares of £0.0001 each, B Ordinary Shares of £0.0001 each and C Ordinary Shares of £0.0001 each. All classes of ordinary shares are entitled to one vote per share at meetings of the Company, save for the B Ordinary Shares which are not entitled to a vote.

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

During the year, the Company issued 1,279,005 £0.0001 shares for a consideration of £13,084,743 less legal fees of £72,164, settled in cash and cash equivalents. On 27 September 2016, 374,200 existing Ordinary Shares with a nominal value of £0.0001 were cancelled. Of the 374,200 that were cancelled, 220,900 were purchased back at no value and were held in treasury. The resulting total share capital being 830,400 (excluding 220,900 held in treasury) Ordinary Shares of £0.0001 each, 738,780 Ordinary A Shares of £0.0001 each, 68,500 Ordinary B Shares of £0.0001 each, 165,412 C Ordinary Shares of £0.0001 each, 358,600 Preferred Shares of £0.0001 each and 1,001,379 Preferred A Shares of £0.0001 each.

10 Explanation of transition to Adopted IFRSs

As stated in note 1, these are the Group's first consolidated financial statements prepared in accordance with Adopted IFRSs.

The accounting policies set out in note 1 and have been applied in preparing the financial statements for the year ended 31 December 2016, the comparative information presented in these financial statements for the year ended 31 December 2016 and in the preparation of an opening IFRS balance sheet at 31 December 2015 (the Group's date of transition).

In preparing its opening IFRS balance sheet, the Group has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting Financial Reporting Standard for Smaller Entities (FRSSE). An explanation of how the transition from FRSSE to Adopted IFRSs has affected the Group's financial position flows is set out in the following tables and the notes that accompany the tables.

		31 December 2015		
	Note	FRSSE £	Impact of Prior Year Adjustments £	Adopted IFRSs and as re-stated £
Non-current assets				
Investments		-	675	675
Current assets				
Inventories		30,000	(30,000)	-
Trade and other receivables		568,191	(148,046)	420,145
Cash and cash equivalents		1,539,254	20,213	1,559,467
		2,137,445	(108,250)	1,980,287
Total assets		2,137,445	(108,250)	1,980,287
Current liabilities				
Trade and other payables		130,932	(62,569)	193,501
Provisions		-	(174,136)	174,136
		130,932	(236,705)	367,637
Total liabilities		130,932	(236,705)	367,637
Net assets		2,006,513	(344,954)	1,612,650
Equity attributable to equity holders of the parent				
Share capital		2,258,266	(2,258,040)	226
Share premium		886,796	2,225,643	3,112,439
Retained earnings		(1,138,549)	361,466	(1,500,015)
		2,006,513	280,160	1,612,650
Total equity		2,006,513	(344,954)	1,612,650

The policies applied under the entities previous accounting framework, FRSSE, are not materially different to IFRS and have not impacted in the transition.

Reflected in the table above are adjustments identified in respect of FY15 since the financial statements in respect of that financial period were lodged with Companies house.

The adjustments arose as a result of the directors re-performing an inspection of financial information in respect of that period and identifying additional assets and liabilities that should have been recognised in that period. This included the recognition of investments incorrectly classified within current assets, the de-recognition of inventory previously considered to hold value, the impairment of trade and other receivables and the recognition of cash balances. Additionally, liabilities were recognised during the course of 2016 that should have been reflected in the 2015 financial statements together with a provision in respect of the application of the group accounting policy in respect of the sales return provision. The company also did not previously correctly account for share capital and share premium. The impact of these adjustments and their values are illustrated in the table above along with the impact on net assets of (£344,954) with the same reduction in profit before and after tax.

11 Parent company profit for the year

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of comprehensive income in these financial statements. The loss after tax of the parent Company for the year was £1,500,015 (2015 - loss £12,552,437).