

Made.com Limited

**Consolidated Historical Financial Information
for the three years ended**

31 December 2020, 31 December 2019 and 31 December 2018

Consolidated income statement

for the three years ended 31 December 2020, 31 December 2019 and 31 December 2018

	Notes	2020 £m	2019 £m	2018 £m
Revenue	5	247.3	211.8	173.4
Cost of sales		(115.7)	(96.6)	(80.4)
Gross profit		131.6	115.2	93.0
Distribution expenses		(56.6)	(51.5)	(33.0)
Administrative expenses		(87.8)	(82.6)	(64.6)
Operating loss		(12.8)	(18.9)	(4.6)
Finance costs	6	(1.4)	(0.7)	(0.5)
Finance income	6	–	0.1	0.1
Loss before tax		(14.2)	(19.5)	(5.0)
Income tax credit/(expense)	9	6.6	(0.1)	1.0
Loss for the year attributed to equity holders of the Company		(7.6)	(19.6)	(4.0)

Loss per share (pence per share):

Basic and diluted loss for the year attributable to ordinary equity holders of the parent	20	(24.0)p	(62.1)p	(12.7)p
Non-GAAP measures:				
Adjusted EBITDA loss	26	£(5.1)m	£(9.8)m	£(1.2)m

Consolidated statement of comprehensive income

for the three years ended 31 December 2020, 31 December 2019 and 31 December 2018

	2020	2019	2018
	£m	£m	£m
Loss for the year	(7.6)	(19.6)	(4.0)
Other comprehensive income/(loss)			
<i>Other comprehensive income to be reclassified to profit or loss in subsequent years (net of tax):</i>			
<i>Unrealised (losses)/gains on cash flow hedges</i>	(2.1)	(4.6)	4.7
<i>Exchange differences on translation of foreign operations</i>	–	(0.1)	–
Net other comprehensive (loss)/income to be reclassified to profit or loss in subsequent years	(2.1)	(4.7)	4.7
Other comprehensive (loss)/income for the year, net of tax	(2.1)	(4.7)	4.7
Total comprehensive (loss)/income for the year, net of tax, attributable to equity holders of the Company	(9.7)	(24.3)	0.7

Consolidated statement of financial position

as at 31 December 2020

	Notes	2020 £m	2019 £m	2018 £m
Non-current assets				
Property, plant and equipment	10	3.4	5.1	3.4
Intangible assets	11	8.9	7.9	5.4
Right of Use Assets	19	12.3	15.0	–
Deferred tax asset	9	12.2	5.1	4.1
Rent deposits		0.5	0.5	0.5
		<u>37.3</u>	<u>33.6</u>	<u>13.4</u>
Current assets				
Inventories	12	21.5	25.6	17.9
Trade and other receivables	13	13.2	8.7	8.7
Derivative asset	15	1.2	3.2	5.7
Cash	14	50.4	17.5	35.6
		<u>86.3</u>	<u>55.0</u>	<u>67.9</u>
Total assets		<u>123.6</u>	<u>88.6</u>	<u>81.3</u>
Current liabilities				
Lease liabilities	19	(4.5)	(4.1)	–
Trade and other payables	16	(39.6)	(36.9)	(31.5)
Derivative liability	15	(6.0)	(5.4)	(1.5)
Deferred revenue	18	(52.8)	(19.6)	(14.9)
Provisions	17	–	(0.1)	–
		<u>(102.9)</u>	<u>(66.1)</u>	<u>(47.9)</u>
Non-current liabilities				
Lease liabilities	19	(9.7)	(12.7)	–
Provisions	17	(1.3)	(1.1)	(0.6)
Interest bearing loans and borrowings	15	(9.7)	–	–
		<u>(20.7)</u>	<u>(13.8)</u>	<u>(0.6)</u>
Total liabilities		<u>(123.6)</u>	<u>(79.9)</u>	<u>(48.5)</u>
Net assets		<u>0.0</u>	<u>8.7</u>	<u>32.8</u>
Capital and reserves				
Share capital	21	0.0	0.0	0.0
Share premium	21	62.2	61.6	61.5
Foreign currency translation reserve	21	0.0	0.0	0.1
Hedging reserve	21	(3.4)	(1.3)	3.3
Other reserves	21	(20.2)	(20.2)	(20.2)
Accumulated deficit		<u>(38.6)</u>	<u>(31.4)</u>	<u>(11.9)</u>
		<u>0.0</u>	<u>8.7</u>	<u>32.8</u>

Made.com Limited
Consolidated Historical Financial Information

Consolidated statement of changes in equity

for the three years ended 31 December 2020, 31 December 2019 and 31 December 2018

	Share capital £m	Share premium £m	Foreign currency translation reserve £m	Hedging reserve £m	Other reserves £m	Accumulated deficit £m	Total £m
At 1 January 2018	0.0	32.1	0.1	(1.4)	(20.2)	(8.1)	2.5
Loss for the year	-	-	-	-	-	(4.0)	(4.0)
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	-	(4.0)	0.7
Share based payments	-	-	-	-	-	0.2	0.2
Share capital issued	-	29.4	-	-	-	-	29.4
At 31 December 2018	0.0	61.5	0.1	3.3	(20.2)	(11.9)	32.8
Adoption of IFRS 16	-	-	-	-	-	(0.1)	(0.1)
Restated at 1 January 2019	0.0	61.5	0.1	3.3	(20.2)	(12.0)	32.7
Loss for the year	-	-	-	-	-	(19.6)	(19.6)
Other comprehensive income:							
Cash flow hedges - losses deferred in equity	-	-	-	(2.2)	-	-	(2.2)
Cash flow hedges – gains transferred out of equity	-	-	-	(3.5)	-	-	(3.5)
Translation differences	-	-	(0.1)	-	-	-	(0.1)
Tax on other comprehensive income	-	-	-	1.1	-	-	1.1
Total comprehensive loss for the year	-	-	(0.1)	(4.6)	-	(19.6)	(24.3)
Share options exercised	-	0.1	-	-	-	-	0.1
Share based payments	-	-	-	-	-	0.2	0.2
At 31 December 2019	0.0	61.6	0.0	(1.3)	(20.2)	(31.4)	8.7

Consolidated statement of changes in equity

for the three years ended 31 December 2020, 31 December 2019 and 31 December 2018

	Share capital £m	Share premium £m	Foreign currency translation reserve £m	Hedging reserve £m	Other reserves £m	Accumulated deficit £m	Total £m
At 1 January 2020	0.0	61.6	0.0	(1.3)	(20.2)	(31.4)	8.7
Loss for the year	-	-	-	-	-	(7.6)	(7.6)
Other comprehensive income:							
Cash flow hedges - losses deferred in equity	-	-	-	(4.8)	-	-	(4.8)
Cash flow hedges – losses transferred out of equity	-	-	-	2.3	-	-	2.3
Translation differences	-	-	-	-	-	-	-
Tax on other comprehensive income	-	-	-	0.4	-	-	0.4
Total comprehensive loss for the year	-	-	-	(2.1)	-	(7.6)	(9.7)
Share options exercised	-	0.6	-	-	-	-	0.6
Share based payments	-	-	-	-	-	0.2	0.2
Warrants issued	-	-	-	-	-	0.2	0.2
At 31 December 2020	0.0	62.2	0.0	(3.4)	(20.2)	(38.6)	0.0

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

Made.com Limited
Consolidated Historical Financial Information

Consolidated statement of cash flows

for the three years ended 31 December 2020, 31 December 2019 and 31 December 2018

	Notes	2020 £m	2019 £m	2018 £m
Operating activities				
Loss before tax		(14.2)	(19.5)	(5.0)
Adjustments to reconcile loss before tax to net cash flows				
Depreciation of property, plant and equipment	10	2.4	1.9	1.0
Amortisation of intangible assets	11	4.0	2.8	2.1
Amortisation of right of use assets	19	3.9	3.2	–
Share-based payment expense	22	0.2	0.2	0.2
Net finance expense	5	1.4	0.6	0.4
Working capital adjustments:				
Decrease/(increase) in trade receivables		0.3	(0.4)	0.7
Decrease/(increase) in inventories		4.1	(6.9)	(4.0)
(Increase)/decrease in other receivables, prepayments and accrued income		(5.5)	0.2	(2.7)
Increase in trade payables, taxes and social security		1.8	1.4	8.4
Increase in accruals and deferred revenue		34.0	10.0	1.6
Increase/(decrease) in provisions		0.1	0.1	(0.6)
Cash flows from operating activities		32.5	(6.4)	2.1
Interest received		–	0.1	0.1
Interest paid		(0.9)	(0.3)	(0.5)
Income tax received		0.6	–	0.7
Net cash inflow/(outflow) from operating activities		32.2	(6.6)	2.4
Investing activities				
Purchase of property, plant and equipment	10	(0.7)	(3.1)	(2.4)
Expenditure on intangible assets	11	(5.0)	(5.3)	(3.6)
Lease start up costs		–	(0.1)	–
Net cash outflow used in investing activities		(5.7)	(8.5)	(6.0)
Financing activities				
Repayment of lease liabilities	19	(4.1)	(3.1)	–
Proceeds from borrowings		19.9	–	–
Repayment of borrowings		(10.0)	–	(4.0)
Proceeds from the issue of share capital		0.6	0.1	30.3
Share issuance fees		–	–	(0.9)
Net cash inflow/(outflow) from financing activities		6.4	(3.0)	25.4
Net increase/(decrease) in cash		32.9	(18.1)	21.8
Cash at 1 January		17.5	35.6	13.8
Cash at 31 December	14	50.4	17.5	35.6

Notes to the consolidated historical financial information

for the three years ended 31 December 2020, 31 December 2019 and 31 December 2018

1. Principal accounting policies

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

The Company is limited by shares, incorporated and domiciled in Gibraltar, and was incorporated on 27th May 2015. The address of its registered office is 28 Irish Town, Gibraltar, GX11 1AA.

The basis of preparation and accounting policies used in preparing the historical financial information in respect of the Group for the 3 years ended 31 December 2020 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 consolidated historical financial information of the Group for the years ended 31 December 2020, 31 December 2019 and 31 December 2018 (the Historical Financial Information) has been prepared specifically for the purpose of this Prospectus and in accordance with International Financial Reporting Standards (IFRS) and Interpretations as issued by the International Accounting Standards Board (IASB) adopted pursuant to Regulation (EC) no. 1606/2002 as it applies to the European Union and in accordance with the Prospectus Regulation (EU) 2017/1129 as supplemented by Commission Delegated Regulation (EU) 2019/980 as it forms part of the retained EU law as defined by the EU (Withdrawal) Act 2018.

The Historical Financial Information has 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 Historical Financial Information does not constitute statutory accounts within the meaning of section 434(3) of the UK Companies Act 2006.

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, apart from any changes in accounting policies arising as a result of the adoption of new accounting standards as disclosed in Note 3.

Basis of consolidation

The Historical Financial Information consolidates the results of Made.com Limited and its subsidiary undertakings for the years ended 31 December 2020, 31 December 2019 and 31 December 2018.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and can 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.

Notes to the consolidated historical financial information

for the three years ended 31 December 2020, 31 December 2019 and 31 December 2018

1. Principal accounting policies (continued)

Going concern

The financial information has been prepared on a going concern basis. The Group has reported a loss of £7.6m (2019: loss of £19.6m) for the year ended 31 December 2020 and is in a net asset position of £0.0m as at 31 December 2020 (2019: net asset position £8.7m), with a net current liability position of £(16.6)m arising from higher than usual deferred revenues outstanding at the year-end (2019: net current liability position of £(11.1)m).

At the time of preparing the financial information the Group has a strong cash position, with a cash balance of £74.5m and a reduction in the net current liability position to £(13.3)m as at 31 March 2021. Since early 2020, the Group has been exposed to extraordinary market conditions due to the COVID-19 pandemic. During this period, despite temporary disruptions to its supply chain, the Group has delivered ongoing strong sales growth, broadly aligned to levels delivered through previous years. Temporary supply chain disruptions have meant that the Group sold product on extended lead-times for much of 2020. This impacted customer conversion which in turn has impacted gross sales growth. The supply chain disruptions also impacted revenue recognition timing, resulting in a high level of deferred income at 31st December 2020. As stock levels normalise through 2021, the Group expects to continue delivering strong growth in all of its markets.

The Directors have reviewed the Group's forecast and projections for the period to December 2022 (the 'Forecast Period'), including their assessment of trading and associated cash flow forecasts, including forecast liquidity and loan covenant compliance, and have a reasonable expectation that the Group has adequate financial resources to continue its operations for the foreseeable future. The Group has continued to trade throughout the COVID-19 pandemic which continues to create significant market uncertainty. The Directors have run various scenarios and stress tests over the period to December 2022 that consider economic growth and demand. The Directors have also considered mitigations at their disposal to enhance liquidity if required. Following various plausible scenarios and stress tests the Group would still continue to have sufficient cash headroom throughout the Forecast Period and still have the necessary liquidity to continue trading.

To date, performance has continued to be strong and with the measures that management have put in place the Directors judge that the Group will continue to operate as a going concern and it is well positioned to do so given the online 'pure-play' nature of its business model and the flexibility it possesses in its cost base.

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, which is up to 30 days from receipt of goods. 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 difference in timing between 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.

Notes to the consolidated historical financial information

for the three years ended 31 December 2020, 31 December 2019 and 31 December 2018

1. Principal accounting policies (continued)

Summary of significant accounting policies (continued)

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 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.

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 historical financial information 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 charged or credited directly to equity.

Notes to the consolidated historical financial information

for the three years ended 31 December 2020, 31 December 2019 and 31 December 2018

1. Principal accounting policies (continued)

Summary of significant accounting policies (continued)

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 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.

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. Amortisation of intangible assets is recognised in Administrative expenses in the income statement.

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
Website development costs	–	3 years
Trade marks and IP	–	3 years

Notes to the consolidated historical financial information

for the three years ended 31 December 2020, 31 December 2019 and 31 December 2018

1. 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, intangible assets and right-of-use 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 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 lowest level of cash-generating unit will be a country-specific website.

The recoverable amount is the higher of fair value less costs of disposal 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. Where necessary, provision is made to reduce the carrying value to no less than net realisable value, having regard to the nature and condition of the inventory.

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 considering 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.

i) Adjusted EBITDA

Adjusted EBITDA is a non-GAAP measure. It is used by the Directors and senior management to evaluate the Group's operating performance, generate future operating plans and make strategic decisions regarding the allocation of capital. The exclusion of certain expenses in calculating Adjusted EBITDA facilitates operating performance comparisons on period-to-period bases. Accordingly, adjusted EBITDA is presented in the historical financial information to provide additional information to understand and evaluate the Group's operating performance.

EBITDA is defined as profit or loss before tax, interest, depreciation and amortisation. The Group defines adjusted EBITDA as EBITDA adjusted to include the unwinding of the discount on lease liabilities and depreciation of right-of-use assets (from the date of adoption of IFRS 16) to reflect the fact that lease related costs are key underlying business operating expenses; exclude the impact of any share based payment expenses to reflect the fact that this item is not directly correlated to underlying business performance; and exclude the impact of any items deemed to be exceptional in nature.

Exceptional items

Exceptional items are defined as transactions that, in the opinion of the Directors, should be disclosed and adjusted from EBITDA in order to provide a consistent and comparable view of the underlying business. This will include those items that are one-off and material in nature and which have been incurred outside of the normal business operations, including but not limited to restructuring and business transformation programmes and fund-raising activities.

Notes to the consolidated historical financial information

for the three years ended 31 December 2020, 31 December 2019 and 31 December 2018

1. Principal accounting policies (continued)

Summary of significant accounting policies (continued)

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.

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 for expected credit losses are made using the simplified approach in line with IFRS 9. Provisions are recognised based on lifetime expected credit losses at each reporting date, with reference to factors including previous historical credit loss experience and as well as forward looking factors specific to the debtors and general economic conditions.

j) Financial instruments (continued)

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

Cash in the statement of financial position comprises cash at banks and on hand.

Warrant instruments

Warrant instruments granted over shares as part of financing arrangements are classified as equity instruments where the terms are on a fixed-for-fixed basis where a derivative that will be settled by the issuer exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments. These instruments are recognised at fair value on the date of issue and are not subsequently remeasured. The initial carrying value of the associated interest-bearing loan is adjusted for the fair value of the warrant instruments issued.

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. Refer to note (q) for further details.

k) Derecognition of financial instruments

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

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

Notes to the consolidated historical financial information

for the three years ended 31 December 2020, 31 December 2019 and 31 December 2018

1. Principal accounting policies (continued)

Summary of significant accounting policies (continued)

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 15.

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 historical financial information 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 Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group applies a single recognition and measurement approach for all leases, except for short-term leases or leases of low-value assets. The Group recognises lease liabilities representing the future value of contractual lease payments and right-of-use assets representing the right to use the underlying assets.

(i) Right-of-use assets

The Group recognises a right-of-use asset at the commencement date of the lease, which is defined as the date that the underlying asset is available for use. A right-of-use asset is measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of the associated lease liability. The cost of a right-of-use asset includes the value of the lease liability initially recognised; any lease payments made on or before the commencement date; any initial direct costs incurred; less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term. The right-of-use asset is also subject to impairment. Refer to accounting policy 2(f).

Notes to the consolidated historical financial information

for the three years ended 31 December 2020, 31 December 2019 and 31 December 2018

1. Principal accounting policies (continued)

Summary of significant accounting policies (continued)

m) Leases (continued)

(ii) Lease liabilities

At the commencement date of the lease, the Group recognises a lease liability measured at the present value of contractual payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable and variable lease payments that depend on an index or a rate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the discount is unwound over the life of the lease, recognised as interest expense in the income statement. As lease payments are made, the lease liability is reduced. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

(iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to any of its short-term leases for property (i.e., those leases that have a lease term of 12 months or less from the commencement date). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as an expense on a straight-line basis over the lease term.

Lease accounting policy for the 12 months ended 31 December 2018

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.

n) Government grants

Government grants are recognised when there is a reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as a deduction to the amount reported through that expense line.

Notes to the consolidated historical financial information

for the three years ended 31 December 2020, 31 December 2019 and 31 December 2018

1. Principal accounting policies (continued)

Summary of significant accounting policies (continued)

o) 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 be 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 unless they are expected to be realised within 12 months.

p) 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 equity, 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.

Notes to the consolidated historical financial information

for the three years ended 31 December 2020, 31 December 2019 and 31 December 2018

1. Principal accounting policies (continued)

Summary of significant accounting policies (continued)

q) 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. 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.

For the purposes of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment;
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with an unrecognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment; or
- Hedges of a net investment in a foreign operation

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.

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 Group will assess the effectiveness of 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.

Hedge accounting is applied to hedges that meet this strict criteria. Currently the Group only has hedges that meet the classification of cash flow hedges (refer to (r) Cash flow hedges for further details).

r) Cash flow hedges

The Group uses forward currency contracts as hedges of its exposure to foreign currency risk in forecast transactions and firm commitments. The effective portion of the gain or loss on the foreign currency contract is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the income statement.

Amounts recognised in OCI are accounted for in line with the underlying hedged transaction. Realised gains or losses on cash flow hedges linked to purchases of stock items are initially reclassified to inventory and then recognised in the profit or loss at the point that the inventory is sold. Realised gains or losses on cash flow hedges linked to sales in foreign currency are reclassified to the income statement when the revenue is recognised.

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 consolidated historical financial information

for the three years ended 31 December 2020, 31 December 2019 and 31 December 2018

2. 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 this historical financial information was 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.

Revenue recognition

Revenue on the sale of products to customers is recognised at the point of delivery to the customer. An element of estimation is applied at the point of dispatch from the warehouse based on average delivery days to calculate the value of dispatched but undelivered revenue at the reporting date which is then recognised in deferred revenue.

Refund accruals

Accruals for sales returns are estimated based on 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 applied in determining the value of certain inputs to include in the Black-Scholes valuation model to the calculation of fair value of employee share options that would normally be determined with reference to active market data, including share price value which is derived using a discounted cashflow model to determine company valuation and volatility rates which are estimated with reference to comparable companies.

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 9 for further details of unused tax losses and deferred tax assets.

Impairment of non-financial 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 cash flow model.

Notes to the consolidated historical financial information

for the three years ended 31 December 2020, 31 December 2019 and 31 December 2018

2. Critical accounting judgements and key sources of estimation uncertainty (continued)

Key judgements

In the process of applying the Group's accounting policies, management has made the following judgements which have had the most significant effect on the amounts recognised in the consolidated historical financial information:

Capitalisation criteria for intangible assets

The Group capitalises costs relating to ongoing website and technology development and improvement projects that underpin the business operations. Management apply judgments as to the nature of the future economic benefits of the projects when assessing whether the costs incurred meet the criteria for capitalisation.

Determination of lease term of contracts with renewal and termination options

Where the Group is a lessee, judgement is applied in determining the lease term where extension or termination options exist. Management considers factors including, but not limited to, the period included in the initial investment case; any costs associated with termination or extension options; and any other facts that may create an economic incentive for either the Group or the landlord to exercise an option.

3. New standards, interpretations and amendments

<i>New standard, interpretation and amendment</i>	<i>Date of adoption</i>	<i>Impact</i>
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Amendment to IFRS 16 Covid-19 Related Rent Concessions	1 January 2020	During the financial year commencing 1 January 2020 the Group early adopted the Amendment to IFRS 16 Covid-19 Related Rent Concessions, which was issued on 28 May 2020. The amendment provides relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The impact of adopting the amendment was a reduction in costs recognised in the income statement relating to leases (depreciation and discount unwind) of £0.1m.
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IFRS 16 Leases	1 January 2019	During the financial year commencing 1 January 2019 the Group adopted a new standard which had become effective during the period, IFRS 16 Leases. IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.
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The Group elected to use the modified retrospective approach for adoption of the new standard. Under this method, comparative figures have not been restated and the cumulative effect of initially applying the standard is an additional £0.1m expense recognised as an adjustment to the opening balance of retained earnings at 1 January 2019. The group also applied a number of practical expedients available under the modified retrospective approach on transition date, including relying on the previous identification of a lease (as provided by IAS 17) for all contracts that existed on the date of initial application and accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases.

Adopting this new standard resulted in the Group recognising £6.7m of right-to-use assets and £8.2m of accompanying lease liabilities for the Group's showrooms and offices, while derecognising £1.4m of straight-line rent accruals on the balance sheet at 1 January 2019. The weighted average incremental borrowing rate applied to the Group's lease portfolio on 1 January 2019 was 3%. Following adoption, the Group no longer recognises rent expense and instead incurs a depreciation charge arising from the right-to-use assets and interest charges arising from lease financing. Refer to note 2 Accounting Policies for the updated accounting policy on lease accounting.

Notes to the consolidated historical financial information

for the three years ended 31 December 2020, 31 December 2019 and 31 December 2018

3. New standards, interpretations and amendments (continued)

<i>New standard, interpretation and amendment</i>	<i>Date of adoption</i>	<i>Impact</i>
IFRS 15 Revenue from Contracts with customers	1 January 2018	There was no material impact on the historical financial information as a result of the adoption this standard.
IFRS 9 Financial Instruments	1 January 2018	There was no material impact on the historical financial information as a result of the adoption this standard.

As at 31 December 2020, no other new and revised standards, amendments and interpretations have been issued that would have a material or relevant impact on the Group's results.

4. 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 and to ensure that it has the capital required to operate and grow the business at a reasonable cost of capital without incurring undue financial risks.

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 seek to raise funds by issue issuing new shares to reduce debt. The management of debt is considered to be an important element in controlling the capital structure. The Group has arranged debt facilities to allow for fluctuations in working capital requirements. There have been no changes to the capital management policy in the period.

5. Segmental analysis

The Group's operating segments are reported based on the financial information provided to the Board of Directors. The Board is identified as the Chief Operating Decision Maker for the business and are responsible for making strategic decisions. For strategic management decision making and reporting 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 Continental Europe operations.

Revenues for both segments are generated from the online sale of furniture and homewares products. Each market is served by separate websites, and there are no inter-segment transactions. The Group operates a direct-to-consumer model and as such there is no reliance on a single customer or group of major customers.

The Board assesses segment performance based on a regional measure of adjusted EBITDA (before the allocation of central costs), which excludes the impact of exceptional costs but includes an allocation of lease related expenses (depreciation and interest). 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.

The total of non-current assets other than financial instruments and deferred tax assets located in the UK is £17.9m (2019: £20.6m; 2018: £8.6m). The remaining £6.6m of non-current assets are located in other countries (2019: £7.4m; 2018: £0.2m), with £3.7m located in Germany (2019: £4.3m; 2018: £nil).

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Notes to the consolidated historical financial information

for the three years ended 31 December 2020, 31 December 2019 and 31 December 2018

5. Segmental analysis (continued)

	UK			Continental Europe			Total		
	2020	2019	2018	2020	2019	2018	2020	2019	2018
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Revenue from customers in UK	128.0	114.3	100.4	-	-	-	128.0	114.3	100.4
Revenue from customers in Europe	-	-	-	118.5	97.5	73.0	118.5	97.5	73.0
Total segment revenue	128.0	114.3	100.4	118.5	97.5	73.0	246.5	211.8	173.4
Other revenue ¹							0.8	-	-
Total Revenue							247.3	211.8	173.4
Regional adjusted EBITDA ²	16.7	12.1	15.6	1.0	1.9	1.8	17.7	14.0	17.4
Central administrative costs							(22.8)	(23.8)	(18.6)
Adjusted EBITDA							(5.1)	(9.8)	(1.2)
Share based payment expense							(0.2)	(0.2)	(0.2)
Depreciation of property plant and equipment							(2.4)	(1.9)	(1.0)
Amortisation of intangible assets							(4.0)	(2.8)	(2.1)
Net interest (expense)/revenue							(0.9)	(0.2)	(0.4)
Exceptional Items							(1.6)	(4.6)	(0.1)
Loss before tax							(14.2)	(19.5)	(5.0)

1 During the year ended 31 December 2020 the Group recognised £0.8m of other revenue relating to amounts receivable under the Research and Development Expenditure Credit (RDEC) scheme (2019: £nil; 2018: £nil).

2 Included within regional adjusted EBITDA is £2.5m (2019: £2.2m; 2018: N/A) of lease depreciation allocated to UK operations and £1.4m (2019: £1.0m; 2018: N/A) of lease depreciation allocated to Continental Europe operations, as well as £0.3m (2019: £0.3m; 2018: N/A) of lease interest expense allocated to UK operations and £0.2m (2019: £0.1m; 2018: N/A) of lease interest expense allocated to Continental Europe operations.

6. Net financing costs

	2020	2019	2018
	£m	£m	£m
Finance costs:			
Bank interest on interest-bearing loans and borrowings	(0.9)	(0.3)	(0.5)
Interest expense on lease liabilities	(0.5)	(0.4)	-
Total finance costs	(1.4)	(0.7)	(0.5)
Finance income:			
Bank interest	-	0.1	0.1
Total finance income	-	0.1	0.1
Net finance expense	(1.4)	(0.6)	(0.4)

Notes to the consolidated historical financial information

for the three years ended 31 December 2020, 31 December 2019 and 31 December 2018

7. Employee benefits expense

	2020 £m	2019 £m	2018 £m
Wages and salaries	20.8	18.1	14.0
Social security costs	2.6	2.4	1.7
Pension contributions	0.5	0.5	0.5
Share based payment expense	0.2	0.2	0.2
Total employee benefits expense	24.1	21.2	16.4

Included with wages and salaries in the year ended 31 December 2020 is an amount of £0.4m (2019: £nil; 2018: £nil) relating to government grants received through Covid-19 specific local government assistance schemes including the Coronavirus Job Retention Scheme in the UK. There are no unfulfilled conditions or contingencies attached to these grants.

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

	2020	2019	2018
Administration	262	194	177
Marketing and products	306	266	203
Technical	61	67	49
	629	527	429

Compensation of key management personnel of the Group:

	2020 £m	2019 £m	2018 £m
Salaries, fees and other short-term employee benefits	1.0	0.7	0.6
Pension contributions	–	–	–
Share based payment expense	0.1	–	–
Total costs of key management personnel	1.1	0.7	0.6

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 highest paid Director during the year were £0.3m (2019: £0.3m; 2018 £0.3m). A 2.5% pension contribution was also paid during the year (2019: 2.7%; 2018: 2.0%). This Director exercised nil share options in the Company in the year (2019: nil; 2018: 67,369).

Notes to the consolidated historical financial information

for the three years ended 31 December 2020, 31 December 2019 and 31 December 2018

8. Operating loss

Operating loss includes the following items, classified within distribution and administrative expenses:

	Notes	2020 £m	2019 £m	2018 £m
Depreciation of property, plant and equipment	10	2.4	1.9	1.0
Amortisation of intangible assets	11	4.0	2.8	2.1
Depreciation of right of use assets ¹	19	3.9	3.2	–
Minimum lease payments recognised as an operating lease expense		0.1	–	2.3
Net foreign exchange loss		0.5	1.2	0.8

¹ £1.3m of depreciation of right of use assets on warehouse leases is classified within distribution expenses (2019: £1.0m). The remaining £2.6m of depreciation of right of use assets is classified within administrative expenses (2019: £2.2m).

9. Income taxes

(a) Income tax recognised in the income statement:

	2020 £m	2019 £m	2018 £m
Current income tax:			
Current income tax credit	–	–	(0.7)
Foreign tax paid	0.1	–	–
Total current tax	0.1	–	(0.7)
Deferred tax:			
Relating to:			
Origination and reversal of temporary differences	(6.1)	0.1	(0.3)
Effect of changes in the tax rate	(0.6)	–	–
Total deferred tax	(6.7)	0.1	(0.3)
Total income tax (credit)/expense reported in the income statement	(6.6)	0.1	(1.0)

	2020 £m	2019 £m	2018 £m
Deferred tax (credit)/expense	(0.4)	(1.1)	1.0
Total income tax (credited)/charged to other comprehensive income	(0.4)	(1.1)	1.0

Notes to the consolidated historical financial information

for the three years ended 31 December 2020, 31 December 2019 and 31 December 2018

9. Income taxes (continued)

(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 years ended 31 December 2020, 2019 and 2018 as follows:

	2020	2019	2018
	£m	£m	£m
Loss before tax	(14.2)	(19.5)	(5.0)
Loss before tax multiplied by the standard rate of corporation tax in the UK of 19.0% (2019: 19%; 2018 19.0%)	(2.7)	(3.7)	(1.0)
Permanent differences	0.2	-	-
Non-deductible expenses	-	0.3	0.5
Share options exercised	(0.2)	-	-
Foreign tax credit	0.1	-	-
R&D tax credit	0.1	-	(0.7)
Tax losses not utilised	-	3.1	0.1
Recognition of deferred tax on tax losses previously unrecognised	(3.1)	-	-
Tax rate changes	(1.0)	0.4	0.1
Total tax (credit)/charge reported in the consolidated income statement	(6.6)	0.1	(1.0)

(c) Reconciliation of deferred tax assets

	2020	2019	2018
	£m	£m	£m
As at 1 January	(5.1)	(4.3)	(4.8)
Deferred tax (credited)/charged to the income statement	(6.7)	0.3	(0.3)
Deferred tax (credited)/charged to other comprehensive income	(0.4)	(1.1)	1.0
As at 31 December	(12.2)	(5.1)	(4.1)

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

	2020	2019	2018
	£m	£m	£m
Capital allowances	0.8	0.6	0.6
Derivative instruments	(1.0)	(0.4)	0.6
Unused tax losses	(12.0)	(5.3)	(5.3)
	(12.2)	(5.1)	(4.1)

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 £12.2m at 31 December 2020 (2019: £5.1m; 2018: £4.1m) relating to unused tax losses, supported by the latest board approved 5 year plan that forecasts future taxable profits against which the deferred tax asset will be utilised over the next 3 years. The Group has elected not to recognise any deferred tax assets relating to employee share options. The estimated value of unrecognised deferred tax assets on vested but unexercised options at 31 December 2020 is £3.9m.

Notes to the consolidated historical financial information

for the three years ended 31 December 2020, 31 December 2019 and 31 December 2018

9. Income taxes (continued)

(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. As at 31 December 2018, this reduction had been substantively enacted. Therefore, a tax rate of 17% has been used to measure the deferred tax assets and liabilities as at 31 December 2018 and 2019.

The 2020 Finance Bill announced that the planned reduction in the main rate of corporation tax from 19% to 17% from 1 April 2020 would not occur and that the corporation tax rate would remain at 19% from 1 April 2020 and that this rate will be maintained from 1 April 2021. Deferred tax assets and liabilities that had previously been measured at 17% have been remeasured at 19% at 31 December 2020 as that is the rate expected to be in effect when the asset or liability reverses.

Following the Chancellor's budget announcement on 3 March 2021, the UK headline corporation tax rate is expected to increase on 1 April 2023 from 19% to 25%. This has not yet been substantively enacted, however to the extent the rate does increase we would expect the effective tax rate to increase accordingly. Any carried forward losses still unused at the point that the rate change becomes substantively enacted will be remeasured at 25%. The impact of remeasuring the deferred tax asset recognised at 31 December 2020 at 25% would be an increase of £3.9m.

10. Property, plant and equipment

	Assets under construction	Fixtures & Fittings	Computer equipment	Office equipment	Total
	£m	£m	£m	£m	£m
Cost:					
At 1 January 2018	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
Additions	1.1	1.9	0.5	0.1	3.6
Reclassifications	(2.4)	2.4	–	–	–
At 31 December 2019	–	7.7	1.6	0.5	9.8
Additions	–	0.5	0.2	–	0.7
At 31 December 2020	–	8.2	1.8	0.5	10.5
Depreciation:					
At 1 January 2018	–	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
Charge for the year	–	1.5	0.3	0.1	1.9
At 31 December 2019	–	3.4	1.0	0.3	4.7
Charge for the year	–	2.0	0.3	0.1	2.4
At 31 December 2020	–	5.4	1.3	0.4	7.1
Net book value:					
At 31 December 2020	0.0	2.8	0.5	0.1	3.4
At 31 December 2019	0.0	4.3	0.6	0.2	5.1
At 31 December 2018	1.3	1.5	0.4	0.2	3.4

In the year ended 31 December 2019, £2.4m of assets relating to the refurbishment of the London showroom were reclassified from assets under construction to fixtures and fittings.

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for the three years ended 31 December 2020, 31 December 2019 and 31 December 2018

11. Intangible assets

	Domain name	Website development costs	Trademarks and IP assets	Total
	£m	£m	£m	£m
Cost:				
At 1 January 2018	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
Additions	–	5.0	0.3	5.3
At 31 December 2019	0.1	16.9	0.4	17.4
Additions	–	4.9	0.1	5.0
At 31 December 2020	0.1	21.8	0.5	22.4
Amortisation:				
At 1 January 2018	0.1	4.5	–	4.6
Charge for the year	–	2.1	–	2.1
At 31 December 2018	0.1	6.6	–	6.7
Charge for the year	–	2.7	0.1	2.8
At 31 December 2019	0.1	9.3	0.1	9.5
Charge for the year	–	3.9	0.1	4.0
At 31 December 2020	0.1	13.2	0.2	13.5
Net Book Value:				
At 31 December 2020	–	8.6	0.3	8.9
At 31 December 2019	–	7.6	0.3	7.9
At 31 December 2018	–	5.3	0.1	5.4

On 14 May 2020 the Group entered into a loan agreement with Silicon Valley Bank. The terms of this agreement include a pledge on the Group's IP and Trademark assets (note 15).

12. Inventories

	2020	2019	2018
	£m	£m	£m
Finished goods	21.5	25.6	17.9
	<u>21.5</u>	<u>25.6</u>	<u>17.9</u>

On 14 May 2020 the Group entered into a loan agreement with Silicon Valley Bank. The terms of this agreement include a pledge on the Group's inventory on hand (note 15).

The cost of inventories recognised as an expense are £111.7m (2019: £93.2m; 2018: £77.8m). There has been no material stock write offs in the period (2019: £nil; 2018: £nil). Included within the inventory balance reported at 31 December 2020 is a 'right to return' asset of £0.7m (2019: £ 0.6m; 2018: £0.4m) associated with the provision for future returns recognised within deferred revenue (note 18).

Notes to the consolidated historical financial information

for the three years ended 31 December 2020, 31 December 2019 and 31 December 2018

13. Trade and other receivables

	2020	2019	2018
	£m	£m	£m
Trade receivables	0.2	0.4	–
Other receivables	10.6	6.1	5.6
Prepayments and accrued income	1.7	1.6	2.4
Tax debtor	0.7	0.6	0.7
	<u>13.2</u>	<u>8.7</u>	<u>8.7</u>

Included within Other Receivables is £6.2m of amounts due from payment providers which are expected to be settled within 5 working days (2019: £4.5m; 2018: £4.5m) and an amount of £4m due from Silicon Valley Bank which is expected to be settled in 15 days of year end (2019: £nil; 2018: £nil). At 31 December 2019 an amount of £1.3m has been recognised in Other Receivables for agreed supplier rebates (2018: £1.0m). Trade and other receivables are non-interest bearing and are generally on terms of 7 to 30 days. As at 31 December 2020, £nil of trade receivables were impaired and fully provided for (2019: £nil; 2018: £0.7m).

Gross trade receivables are denominated in the following currencies:

	2020	2019	2018
	£m	£m	£m
Pound Sterling	0.1	–	–
Euro	0.1	0.4	–
	<u>0.2</u>	<u>0.4</u>	<u>–</u>

The aging analysis of trade receivables is as follows:

	2020	2019	2018
	£m	£m	£m
Neither past due nor impaired	–	–	–
Past due but not impaired:			
0 – 30 days	0.1	0.2	–
30 – 60 days	–	–	–
Greater than 60 days	0.1	0.2	–
	<u>0.2</u>	<u>0.4</u>	<u>–</u>

The Group continually assesses the recoverability of trade receivables and the level of provisioning required.

Notes to the consolidated historical financial information

for the three years ended 31 December 2020, 31 December 2019 and 31 December 2018

14. Cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks. Cash at banks earns interest at floating rates based on daily deposit rates. Cash 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:

	2020	2019	2018
	£m	£m	£m
Cash at banks and on hand	50.4	17.5	35.6

Cash is denominated in the following currencies:

	2020	2019	2018
	£m	£m	£m
GBP	37.3	13.8	32.9
EUR	10.3	3.3	1.5
CHF	2.5	0.3	0.4
DKK	0.2	0.1	–
SEK	0.0	0.0	–
USD	0.0	0.0	0.8
RMB	0.1	–	–
Total	<u>50.4</u>	<u>17.5</u>	<u>35.6</u>

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for the three years ended 31 December 2020, 31 December 2019 and 31 December 2018

15. Financial assets and financial liabilities

Group and Company

Interest-bearing loans and borrowings

Term loan

On 14 May 2020, the Group entered into a loan agreement with Silicon Valley Bank for a term loan of £10m. The term loan had a floating rate of interest and is secured by a fixed and floating charge over the Group's assets, including available inventory (refer to note 12) and IP and Trademark assets (refer to note 11). This security interest in the Group's assets is enforceable upon a default event, including a failure to repay or failure to comply with the agreed covenants. In addition, the Group issued warrant instruments over 43,500 ordinary shares in the ultimate parent to the lenders. The warrants were issued with an exercise price of £0.001 per share and are valid for 10 years from grant date. The fair value of the warrant instruments is £0.2m, which has been recognised in equity and offset against the initial proceeds of the loan.

The loan, classified as non-current, is repayable in full in May 2023. The Group was in compliance with the financial and other covenants within this facility throughout the financial year, including minimum liquidity requirements and revenue growth targets.

The loan is held at amortised cost. The carrying value of the loan at 31 December 2020 is £9.7m. The fair value of the loan at 31 December 2020 is £10.0m.

Revolving credit facility

On 17 January 2020, the Group entered into an agreement with Silicon Valley Bank for a revolving credit facility of £10m, which replaced the previous revolving credit facility with Silicon Valley Bank which matured on 31 December 2019. The Group drew down £10m against this facility on 13 March 2020. This was fully repaid on 14 May 2020. The facility is available until 17 January 2022. Interest on any drawn amounts is charged at the higher of 5.25% or LIBOR + 4.50%. Any undrawn amounts attract a fee of 1% p.a. The Group was in compliance with the financial and other covenants within this facility throughout the financial year, including minimum liquidity requirements

Foreign exchange contracts

The group uses forward foreign exchange contracts to manage its transaction exposures incurred on purchases of inventory in USD and revenues earned in 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 twelve 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 2020, 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.

Hedge ineffectiveness can arise from differences in the timing of the cash flows of the hedged items and the hedging instruments; the counterparties' credit risk differently impacting the fair value movements of the hedging instruments and hedged items; and changes to the forecasted amount of cash flows of hedged items and hedging instruments.

During the year ended 31 December 2020, the Group recognised realised losses on cashflow hedges of £0.9m in Cost of Sales (2019: realised gains of £6.6m; 2018: realised losses of £1.5m) and recognised realised gains of £1.5m in revenue (2019: £nil; 2018: realised losses of £0.1m).

At 31 December 2020 unrealised losses on cashflow hedges of £4.8m have been recognised in the cashflow hedge reserve (2019: £2.2m; 2018: unrealised gains of £4.1m). At 31 December 2020 realised losses on cashflow hedges of £1.1m have been recognised in inventory (2019: £0.2m; 2018: realised gains of £0.6m) and £0.1m of realised gains on cashflow hedges have been recognised in deferred revenue (2019: £0.2m; 2018: £nil).

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15. Financial assets and financial liabilities (continued)

The net fair value of forward foreign exchange contracts recognised in the statement of financial position was a current liability of £4.8m (2019: current liability of £2.2m; 2018: current asset of £4.2m). Cashflows relating to these contracts will occur within 12 months of the reporting date, and gains or losses will be recognised in the same period. The table below illustrates the maturity profile of the notional value of the outstanding foreign exchange contracts, which are to be settled gross:

	Maturity					Total
	Less than 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	
As at 31 December 2020						
USD:GBP foreign exchange contracts (hedging highly probable forecast purchases)						
Notional Amount (£m) – cash inflows	11.9	19.6	27.3	25.9	23.2	107.9
Average forward rate (GBP:USD)	1.30	1.30	1.30	1.29	1.29	1.30
EUR:GBP foreign exchange contracts (hedging highly probable forecast sales)						
Notional Amount (£m) – cash outflows	(7.0)	(6.1)	(10.8)	(16.6)	(16.4)	(56.9)
Average forward rate (GBP:EUR)	1.13	1.11	1.11	1.08	1.08	1.10
As at 31 December 2019						
USD:GBP foreign exchange contracts (hedging highly probable forecast purchases)						
Notional Amount (£m) – cash inflows	12.6	17.0	23.1	22.9	22.9	98.5
Average forward rate (GBP:USD)	1.27	1.29	1.30	1.22	1.22	1.26
EUR:GBP foreign exchange contracts (hedging highly probable forecast sales)						
Notional Amount (£m) – cash outflows	(5.4)	(4.1)	(7.4)	(11.1)	(13.4)	(41.4)
Average forward rate (GBP:EUR)	1.10	1.08	1.08	1.09	1.08	1.09
As at 31 December 2018						
USD:GBP foreign exchange contracts (hedging highly probable forecast purchases)						
Notional Amount (£m) – cash inflows	6.4	11.4	16.3	17.1	15.3	66.5
Average forward rate (GBP:USD)	1.40	1.40	1.41	1.40	1.38	1.40
EUR:GBP foreign exchange contracts (hedging highly probable forecast sales)						
Notional Amount (£m) – cash outflows	(2.6)	(5.3)	(7.9)	(7.9)	(8.0)	(31.7)
Average forward rate (GBP:EUR)	1.14	1.14	1.14	1.13	1.13	1.14

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for the three years ended 31 December 2020, 31 December 2019 and 31 December 2018

15. Financial assets and financial liabilities (continued)

The table below reports the notional amount of the foreign currency cash flow hedges as well as the impact of the hedging instruments on the Group's financial position:

	2020		2019		2018	
	Notional amount	Carrying amount	Notional amount	Carrying amount	Notional amount	Carrying amount
	£m	£m	£m	£m	£m	£m
Derivative Assets						
USD:GBP foreign exchange contracts	–	–	13.4	0.2	62.3	5.7
EUR:GBP foreign exchange contracts	42.9	1.2	41.4	3.0	–	–
Total		1.2		3.2		5.7
Derivative liabilities						
USD:GBP foreign exchange contracts	107.9	(5.7)	85.1	(5.4)	4.2	(0.5)
EUR:GBP foreign exchange contracts	14.0	(0.3)	–	–	31.7	(1.0)
Total		(6.0)		(5.4)		(1.5)

16. Trade and other payables

	2020	2019	2018
	£m	£m	£m
Current			
Trade payables	17.5	21.4	21.9
Taxation and social security	10.7	5.1	3.1
Accruals	11.4	10.4	6.5
	<u>39.6</u>	<u>36.9</u>	<u>31.5</u>

Amounts included within taxation and social security represent current VAT amounts payable.

Notes to the consolidated historical financial information

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17. 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	–	0.6	0.6
Addition during the year	0.1	0.5	0.6
Utilised/released during the year	–	–	–
At 31 December 2019	0.1	1.1	1.2
Addition during the year	–	0.2	0.2
Utilised/released during the year	(0.1)	–	(0.1)
At 31 December 2020	–	1.3	1.3

Analysis of provisions:

	2020	2019	2018
	£m	£m	£m
Current	–	0.1	–
Non-current	1.3	1.1	0.6

Dilapidations provision

Additional dilapidation provisions have been taken up in 2020 to recognise future obligations under the lease contracts for the Group's office, warehouse and showroom premises in the UK and Europe. The provisions are expected to be utilised within 2 to 8 years (2019: 4 to 9 years; 2018: 7 to 10 years).

18. Deferred revenue

The Group begins to actively market and sell its products to customers when they are in the manufacturing and shipping phase. This can typically be up to 12 weeks prior to delivery to the customer, although recent short-term supply chain pressures have meant that this can be up to 18 weeks. Customers are entitled to cancel orders free of charge prior to delivery, and can return them up to 30 days after delivery. Revenue is recognised at the point that the products are delivered to the customer. The lead time between the customer placing the sale order and the delivery of the order creates a deferred revenue contractual liability. Revenues of £19.6m were recognised in the year ended 31 December 2020 that were reported as deferred revenue at the beginning of the year (2019: £14.9m; 2018: £14.3m). The carrying balance of customer orders not yet fulfilled at 31 December 2020 is £52.8m (2019: £19.6m; 2018: £14.9m) which is expected to be recognised within 1 to 6 months of the year end (2019: 1 to 3 months; 2018: 1 to 3 months), in line with prevailing lead times. Included within this balance is an amount of £1.4m relating to a provision for future returns (2019: £1.3m; 2018: £0.9m).

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for the three years ended 31 December 2020, 31 December 2019 and 31 December 2018

19. Leases

The Group has entered into a number of lease contracts, as a lessee for properties including offices, showrooms and warehouses. These lease contracts generally have terms between 3 to 10 years. Lease contracts with terms of less than 12 months are classified as short term. The value of short term leases recognised as an expense in the income statement in the year ended 31 December 2020 was £0.1m (2019: £0.5m).

Set out below are the carrying amounts of the right-of-use assets relating to these lease contracts that have been recognised in the historical financial information for the years ended 31 December 2020 and 31 December 2019, including the movements during the year. Note that the balances reported as at 1 January 2019 represent the carrying values of the right of use assets recognised upon transition to IFRS 16:

Group and Company	Warehouses	Offices	Showrooms	Total
	£m	£m	£m	£m
At 1 January 2019	–	3.3	3.4	6.7
Additions	6.4	1.1	4.0	11.5
Amortisation expense	(1.1)	(0.9)	(1.2)	(3.2)
At 1 January 2020	5.3	3.5	6.2	15.0
Additions	0.2	0.6	–	0.8
Amortisation expense	(1.3)	(1.1)	(1.5)	(3.9)
Foreign exchange	–	0.1	0.3	0.4
At 31 December 2020	4.2	3.1	5.0	12.3

Set out below are the carrying amounts of the lease liabilities relating to these lease contracts that have been recognised in the historical financial information for the years ended 31 December 2020 and 31 December 2019, including the movements during the year. Note that the balances reported as at 1 January 2019 represent the carrying values of the lease liabilities recognised upon transition to IFRS 16:

Group and Company	Warehouses	Offices	Showrooms	Total
	£m	£m	£m	£m
At 1 January 2019	–	4.3	3.9	8.2
Additions	6.3	1.0	4.0	11.3
Lease payment	(0.7)	(1.2)	(1.2)	(3.1)
Interest expense	0.1	0.1	0.2	0.4
At 1 January 2020	5.7	4.2	6.9	16.8
Additions	0.1	0.6	–	0.7
Lease payment	(1.1)	(1.2)	(1.8)	(4.1)
Interest expense	0.1	0.1	0.3	0.5
Foreign exchange	–	0.1	0.2	0.3
At 31 December 2020	4.8	3.8	5.6	14.2
Current	1.3	1.2	1.6	4.1
Non-Current	4.4	3.0	5.3	12.7
At 31 December 2019	5.7	4.2	6.9	16.8
Current	1.8	1.1	1.6	4.5
Non-Current	3.0	2.7	4.0	9.7
At 31 December 2020	4.8	3.8	5.6	14.2

Notes to the consolidated historical financial information

for the three years ended 31 December 2020, 31 December 2019 and 31 December 2018

19. Leases (continued)

The total amount paid for leases (including short term leases) in the year ended 31 December 2020 was £4.2m (2019: £3.6m).

Several of the leases in the Group's portfolio include extension or termination options. Management applies judgement in assessing the likelihood of exercising any such options on a lease-by-lease basis. At 31 December 2020, the undiscounted potential future payments relating to periods beyond any break options that have been assumed is £12.8m (2019: £12.4m).

The carrying value of lease liabilities recognised at 1 January 2019, on adoption of IFRS 16, is reconciled to the future minimum rental payments under non-cancellable operating leases as at 31 December 2018 as follows:

	£m
Future minimum rental payments at 31 December 2018	8.6
Impact of discounting	(0.6)
Short term leases	(0.5)
Lease commencing on 1 January 2019	0.7
	<u>8.2</u>

IAS 17 operating lease commitments disclosures for the year ended 31 December 2018

As at 31 December 2018, the Group had entered into a number of leases for properties. The future minimum rentals payable under non-cancellable operating leases are as follows:

	£m
Within one year	2.5
After one year but not more than five years	6.1
	<u>8.6</u>

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for the three years ended 31 December 2020, 31 December 2019 and 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 shares outstanding during the period. The weighted average number of shares represents the weighted average number of ordinary, preference and growth shares in issue during the reporting period. All classes of shares have equal voting and dividend rights and as such are treated as one single class of shares for the purposes of calculating earnings per share.

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 shares outstanding during the period plus the weighted average number of shares that would be issued on conversion of any dilutive potential ordinary shares into ordinary shares. The outstanding share options are non-dilutive for the periods presented.

The following reflects the income and share data used in the basic earnings per share computations:

	2020	2019	2018
Loss attributable to ordinary equity holders of the parent (£m)	(7.6)	(19.6)	(4.0)
Weighted average number of shares	31,718,602	31,545,594	31,478,317
Weighted average dilutive potential ordinary shares	–	–	–
Diluted weighted average number of shares	31,718,602	31,545,594	31,478,317
Basic and diluted loss per share (pence per share)	(24.0)p	(62.1)p	(12.7)p

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

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21. Issued share capital and reserves

Authorised share capital

	Ordinary shares		Series A		Series B-1		Series B-2		Series C-1		Series C-2		Series C-3		Series C-4		Growth shares	
	Preferred shares		Preferred shares		Preferred shares		Preferred shares		Preferred shares		Preferred shares		Preferred shares		Preferred shares			
	£0.001 each		£0.001 each		£0.001 each		£0.001 each		£0.001 each		£0.001 each		£0.001 each		£0.001 each		£0.001 each	
	No of shares	£m	No of shares	£m	No of shares	£m	No of shares	£m	No of shares	£m	No of shares	£m	No of shares	£m	No of shares	£m	No of shares	£m
At 31 December 2017	12,996,413	-	4,842,632	-	4,274,615	-	1,327,610	-	3,865,979	-	6,060,606	-	673,651	-	836,821	-	5,720,095	-
Share capital authorised	7,003,587	-	-	-	-	-	-	-	-	-	-	-	-	-	7,163,179	-	-	-
At 31 December 2018	20,000,000	-	4,842,632	-	4,274,615	-	1,327,610	-	3,865,979	-	6,060,606	-	673,651	-	8,000,000	-	5,720,095	-
Share capital authorised	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
At 31 December 2019	20,000,000	-	4,842,632	-	4,274,615	-	1,327,610	-	3,865,979	-	6,060,606	-	673,651	-	8,000,000	-	5,720,095	-
Share capital authorised	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
At 31 December 2019	20,000,000	-	4,842,632	-	4,274,615	-	1,327,610	-	3,865,979	-	6,060,606	-	673,651	-	8,000,000	-	5,720,095	-

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for the three years ended 31 December 2020, 31 December 2019 and 31 December 2018

21. Issued share capital and reserves (continued)

Allotted, issued and fully paid share capital

	Ordinary shares		Series A		Series B-1		Series B-2		Series C-1		Series C-2		Series C-3		Series C-4		Growth shares	
	£0.001 each		£0.001 each		£0.001 each		£0.001 each		£0.001 each		£0.001 each		£0.001 each		£0.001 each		£0.001 each	
	No. Millions	£ m	No. Millions	£ m	No. Millions	£ m	No. Millions	£ m	No. Millions	£ m	No. Millions	£ m	No. Millions	£ m	No. Millions	£ m	No. Millions	£ m
At 31 December 2017	7,276,318	–	3,873,116	–	4,219,220	–	1,305,952	–	3,865,979	–	6,060,606	–	673,651	–	836,821	–	1,184,675	–
Share capital issued	114,012	–	–	–	–	–	–	–	–	–	–	–	–	–	2,817,134	–	–	–
Shares sold	(545,782)	–	(189,261)	–	(7,891)	–	(6,232)	–	–	–	–	–	–	–	–	–	–	–
At 31 December 2018	6,844,548	–	3,683,855	–	4,211,329	–	1,299,720	–	3,865,979	–	6,060,606	–	673,651	–	3,653,955	–	1,184,675	–
Share capital issued	67,277	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Shares sold	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
At 31 December 2019	6,911,825	–	3,683,855	–	4,211,329	–	1,299,720	–	3,865,979	–	6,060,606	–	673,651	–	3,653,955	–	1,184,675	–
Share capital issued	346,014	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Shares sold	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
At 31 December 2020	7,257,839	–	3,683,855	–	4,211,329	–	1,299,720	–	3,865,979	–	6,060,606	–	673,651	–	3,653,955	–	1,184,675	–

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for the three years ended 31 December 2020, 31 December 2019 and 31 December 2018

21. Issued share capital and reserves (continued)

Share Capital

During the year ended 31 December 2020, the Group issued 346,014 ordinary shares related to options exercised under the General Employee Share Plan.

During the year ended 31 December 2019, the Group issued 67,277 ordinary shares related to options exercised under the General Employee Share Plan.

During the year ended 31 December 2018, the Group issued 2,817,134 Series C-4 preference shares through both a primary and a secondary fundraising. Under the primary fundraising, the Group received £30.0m of cash. Under the secondary fundraising, the Group received £0.3m of cash and exchanged 749,166 of existing ordinary and preference shares for newly issued Series C-4 preference shares. Costs of £0.9m associated with the share issue were incurred and recognised in the share premium reserve.

Rights for the different classes of shares

Each ordinary and preference share gives the holder the right to vote at annual general meetings and to receive dividends declared and distributed (pari passu as if all equity shares were one class of shares). Preferred shares are convertible to common shares at the holder's discretion, on a one-to-one basis.

In the event of liquidation the assets of the Company remaining after the payment of its liabilities shall be applied in the following order of priority:

- Series C Preferred Shares
- Series B Preferred Shares
- Series A Preferred Shares
- Ordinary Shares (including growth shares)

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 this 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.

Share options and share based payments

Share options have been granted in respect of the ordinary shares issued by the parent. Refer to note 22 for further details.

Dividends

No dividends have been paid or proposed during the year ended 31 December 2020 (2019: nil; 2018: nil).

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22. Share-based payments

Under the General Employee Share-option Plan (GESP), the Group, at its discretion, may grant share options over ordinary shares of the parent to employees and directors. The options are granted as equity-settled. The fair value of share options granted is estimated at the date of grant using a Black-Scholes simulation model. The expense associated with issuing these options is pushed down from the ultimate parent company to the entity in which the employees are employed.

The key inputs used in the Black-Scholes pricing model to determine the fair value include the share price at the date of grant, which is calculated with reference to the company valuation at the time of grant, adjusted for existing preference rights, and divided by the issued share capital and outstanding options at the time of grant; the exercise price attached to the option; the vesting period of the award; an appropriate risk free rate; the impact of any dividend rights attached to the grant; and an expected share price volatility, estimated with reference to published volatility rates of publicly listed comparable companies.

Share option granted during the historical financial period

2020

On 10 June 2020, the Group granted 300,000 options to employees. 200,000 options were granted with an exercise price of £10.16; 100,000 options were granted with an exercise price of £14.51. The options will vest in 3 equal tranches over a 3 year vesting period. If the Group achieves an 'exit event' such as an IPO within 18 months of the grant date, 50% of the options will automatically vest at the date of admission. If the event occurs between 18 months and three years from grant date, any unvested options will automatically vest. No performance conditions other than continued service are attached to the options.

The fair values calculated for the options and the relevant inputs into the Black-Scholes models were:

	Exercise price £10.16	Exercise price £14.51
Fair value (£)	£0.97	£0.51
Weighted average share price (£)	£6.13	£6.13
Expected volatility (%)	50%	50%
Risk-free interest rate (%)	0.03%	0.03%
Expected life of share options (periods)	3	3
Dividend yield (%)	N/A	N/A

2019

On 7 February 2019, the Group granted 40,000 options to employees. 26,667 options were granted with an exercise price of £5.00; 13,333 options were granted with an exercise price of £7.24. The options will vest in 3 equal tranches over a 3 year vesting period. If the Group achieves an 'exit event' such as an IPO within 18 months of the grant date, 50% of the options will automatically vest at the date of admission. If the event occurs between 18 months and three years from grant date, any unvested options will automatically vest. No performance conditions other than continued service are attached to the options.

The fair values calculated for the options and the relevant inputs into the Black-Scholes models were:

	Exercise price £5.00	Exercise price £7.24
Fair value (£)	£2.41	£1.62
Weighted average share price (£)	£6.17	£6.17
Expected volatility (%)	50%	50%
Risk-free interest rate (%)	0.50%	0.50%
Expected life of share options (periods)	3	3
Dividend yield (%)	N/A	N/A

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22. Share-based payments (continued)

On 4 July 2019, the Group granted 190,000 options to employees. 126,667 options were granted with an exercise price of £10.16; 63,333 options were granted with an exercise price of £14.51. The options will vest in 3 equal tranches over a 3 year vesting period. If the Group achieves an 'exit event' such as an IPO within 18 months of the grant date, 50% of the options will automatically vest at the date of admission. If the event occurs between 18 months and three years from grant date, any unvested options will automatically vest. No performance conditions other than continued service are attached to the options.

The fair values calculated for the options and the relevant inputs into the Black-Scholes models were:

	Exercise price £10.16	Exercise price £14.51
Fair value (£)	£1.08	£0.60
Weighted average share price (£)	£6.17	£6.17
Expected volatility (%)	50%	50%
Risk-free interest rate (%)	0.50%	0.50%
Expected life of share options (periods)	3	3
Dividend yield (%)	N/A	N/A

2018

On 26 February 2018, the Group granted 185,000 options to employees. 123,333 options were granted with an exercise price of £5.00; 61,667 options were granted with an exercise price of £7.24. The options will vest in 3 equal tranches over a 3 year vesting period. If the Group achieves an 'exit event' such as an IPO within 18 months of the grant date, 50% of the options will automatically vest at the date of admission. If the event occurs between 18 months and three years from grant date, any unvested options will automatically vest. No performance conditions other than continued service are attached to the options.

The fair values calculated for the options and the relevant inputs into the Black-Scholes models were:

	Exercise price £5.00	Exercise price £7.24
Fair value (£)	£2.55	£1.79
Weighted average share price (£)	£6.16	£6.16
Expected volatility (%)	50%	50%
Risk-free interest rate (%)	0.67%	0.67%
Expected life of share options (periods)	3	3
Dividend yield (%)	N/A	N/A

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22. Share-based payments (continued)

Movements during the historical financial period

The following table shows the movement in the number of share options outstanding and the weighted average exercise prices during the years ending 31 December 2020, 2019 and 2018:

	2020		2019		2018	
	Weighted Average exercise price £	Number Of options	Weighted Average exercise price £	Number Of options	Weighted Average exercise price £	Number Of options
Outstanding at 1 January	3.99	4,362,464	3.60	4,213,074	3.48	4,200,420
Granted	11.61	300,000	10.59	230,000	5.75	185,000
Exercised during the year	1.66	(346,014)	1.93	(67,277)	1.93	(114,013)
Lapsed and forfeited during the year	7.88	(73,334)	5.75	(13,333)	4.83	(58,333)
Outstanding at 31 December	4.65	4,243,116	3.99	4,362,464	3.60	4,213,074
Exercisable at 31 December	4.10	3,883,116	3.38	4,051,805	3.22	3,478,907

The number of options outstanding at the end of 31 December 2020, 2019 and 2018 have a range of exercise prices between £1.63 and £14.51 and have the following terms:

	2020	2019	2018
Term of the option			
1 June 2010 – 1 June 2020	–	11,054	11,054
8 May 2013 – 8 May 2023	191,507	266,507	311,507
24 January 2014 – 24 January 2024	–	253,960	266,237
13 May 2014 – 13 May 2024	201,274	201,274	201,274
18 September 2014 – 18 September 2024	1,050,336	1,050,336	1,050,336
7 November 2014 – 7 November 2024	92,500	92,500	92,500
2 December 2014 – 2 December 2024	28,500	28,500	28,500
19 September 2016 – 19 September 2026	1,260,666	1,266,666	1,276,666
1 August 2017 – 1 August 2027	690,000	690,000	690,000
4 September 2017 – 4 September 2027	100,000	100,000	100,000
26 February 2018 – 26 February 2028	165,000	171,667	185,000
7 February 2019 – 7 February 2029	–	40,000	–
4 July 2019 – 4 July 2029	163,333	190,000	–
10 June 2020 – 10 June 2030	300,000	–	–
Total	4,243,116	4,362,464	4,213,074

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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, 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 31 December 2020 the Group has performed a sensitivity analysis to determine the impact of a +/- 3% movement in both GBP:USD and GBP:EUR cross rates on the carrying value of balance sheet items including cash, other receivables, trade creditors and the outstanding cashflow hedges. A 3% increase/decrease in GBP:USD would have resulted in a £0.3m increase/£0.3m decrease in the income statement (2019: £0.3m/£0.3m; 2018: £0.1m/£0.2m) and an additional deferred loss of £2.6m/deferred gain of £2.8m recognised in Other Comprehensive Income (2019: £2.4m/£2.5m; 2018: £1.8m/£1.9m). A 3% increase/decrease in GBP:EUR would have resulted in a £0.2m decrease/£0.3m increase in the income statement (2019: £nil/£nil; 2018: £nil/£nil) and an additional deferred gain of £1.6m/deferred loss of 1.7m recognised in Other Comprehensive Income (2019: £1.1m/£1.2m; 2018: £1.0m/£1.0m).

Notes to the consolidated historical financial information

for the three years ended 31 December 2020, 31 December 2019 and 31 December 2018

23. Risk management (continued)

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.

The contractual undiscounted cash flows for current Trade and Other Payables and Deferred Revenue is equal to their carrying value. The undiscounted contractual cash flows for current lease liabilities, due within 1 year, is £5.0m (2019: £4.5m).

The maturity profile of the contractual undiscounted cash flows for the Group's non-current financial liabilities is as follows:

	Maturity					Total
	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	More than 5 years	
As at 31 December 2020						
Lease Liabilities	4.6	3.2	1.2	0.7	0.5	10.2
Interest bearing loans and borrowings	1.0	10.4	–	–	–	11.4
Total	5.6	13.6	1.2	0.7	0.5	21.6
As at 31 December 2019						
Lease Liabilities	4.7	4.3	2.6	1.1	1.2	13.9
Total	4.7	4.3	2.6	1.1	1.2	13.9

The Group did not have any non-current financial liabilities at 31 December 2018.

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 2020, 2019 and 2018 is the carrying amount.

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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 ended 31 December 2020, 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 (2019: £0.2m; 2018: £0.2m). These amounts are included within Note 7 of the financial information.

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 7 *Employee Benefits* and Note 22 *Share Based Payments*.

25. Group structure

As at 31 December 2020, 2019 and 2018, Made.com Design Limited held directly or indirectly* 100% voting shares of the following subsidiaries, which are consolidated into the historical financial information:

<i>Group company</i>	<i>Country of Incorporation</i>	<i>Nature of business</i>
Made.com Design Limited	England and Wales	Online retail of furnishings and homeware
Made.com Trading Limited*	Hong Kong	Holding company
Made.com Company Limited*	China	Sourcing agent and quality assurance
Made.com Netherlands B.V. *	Netherlands	Dormant

* subsidiaries indirectly held through Made.com Design Limited

Made.com Netherlands B.V. is a wholly owned subsidiary that was incorporated on 23 December 2019. It is currently dormant.

Notes to the consolidated historical financial information

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26. Adjusted EBITDA

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

	2020	2019	2018
	£m	£m	£m
Loss before tax	(14.2)	(19.5)	(5.0)
Depreciation of property, plant and equipment	2.4	1.9	1.0
Amortisation of intangible assets	4.0	2.8	2.1
Depreciation of right of use assets	3.9	3.2	–
Net finance expense	1.4	0.6	0.4
EBITDA	(2.5)	(11.0)	(1.5)
Adjustments for:			
Depreciation of right of use assets	(3.9)	(3.2)	–
Interest expense on lease liabilities	(0.5)	(0.4)	–
Share based payment expense	0.2	0.2	0.2
Exceptional items			
Restructuring	0.9	–	–
Fundraising	0.5	–	–
Supply chain transformation	0.2	4.6	0.1
Adjusted EBITDA ¹	(5.1)	(9.8)	(1.2)

¹ The definition of Adjusted EBITDA has been updated in the current year. In the year ended 31 December 2019 the Adjusted EBITDA figure included an adjustment for translational FX of £1.2m. The impact of translational FX is now included within the measure of underlying operational performance.

Exceptional items

In the year ended 31 December 2020 exceptional costs of £0.9m have arisen as a result of a restructuring programme undertaken to centralise regional commercial marketing operations; £0.5m of costs have been incurred relating to fundraising activities; and £0.2m of additional costs related to the 2019 supply chain transformation activities.

In the year ended 31 December 2019 of £4.6m arose from 3 warehouse moves, including start-up costs associated with setting up the new warehouses; closure costs incurred in exiting the previous warehouses; as well as certain one-off dual running costs arising during the transfer period. Some initial costs relating to this programme (£0.1m) were incurred in December 2018 and have been presented as exceptional in the Adjusted EBITDA for the year ended 31 December 2018.

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27. Post balance sheet events

2020

On 1 January 2021, the Group granted 349,200 options to employees under a one-off company-wide grant (the "All Employee Grant"). Under the terms of the grant, all employees were granted 600 options each with an exercise price of £10.56. A small number of these options (36,000) were granted as phantom options and will be accounted for as cash-settled. The remaining options (313,200) are accounted for as equity settled. The options will vest in 3 equal tranches over a 3 year vesting period. No performance conditions other than continued service are attached to the options. In the event of an IPO occurring prior to the second anniversary of the Vesting Commencement Date, 50% of the options automatically vest; of the remaining 50%, one-third will vest at the second anniversary of the grant date and the remainder will vest at the third anniversary of the grant date. The fair value per option has been calculated as £6.13. The grant of these options is a non-adjusting event.

On 25 March 2021 the Group filed an initial draft of a prospectus and registration document with the Financial Conduct Authority (FCA) as part of a planned Initial Public Offering (IPO). The Group is currently undertaking the necessary steps required to prepare for an admission to trade on the London Stock Exchange's main market. This is a non-adjusting event and the Group has not made any adjustments to share option vesting schedules at 31 December 2020. In the event that the IPO is successful, the Group has estimated that the impact of accelerated vesting of both the outstanding grants at 31 December 2020 plus the All Employee Grant issued on 1 January 2021 will be an additional £0.1m of share based payment expense recognised in the twelve months ended 31 December 2021.

On 13 April 2021 the Board of the ultimate parent company, Made.com Limited, approved a reorganisation steps plan involving the incorporation of a new UK entity (Made.com Group Plc) and the transfer of ownership of the Group from Made.com Limited to Made.com Group Plc via a share-for-share exchange. The execution of this steps plan is due to take place immediately prior to Admission.

On 10 June 2021, Made.com Limited issued 43,500 ordinary shares following the exercise of the warrant options by the option holders, with an exercise price of £0.001 per share.

2019

On 11 March 2020, the World Health Organisation declared the Covid-19 virus outbreak a global pandemic. This has resulted in significant social and economic disruption and uncertainty. The pandemic was declared after 31 December 2019 and is considered to be a non-adjusting post balance sheet event. The Group has performed an assessment of the impact that these events may have had on the carrying values of the assets and liabilities recognised at 31 December 2019. The key factors considered were the settlement terms of the assets and liabilities as well as the Group performance during the period following the declaration of the pandemic.

Current assets and liabilities including Inventories, Deferred Revenue, Trade and Other Receivables and Trade and Other Payables all settled within the first 3 months of 2020. In addition, the Group has continued to trade during this period and has delivered strong sales growth as consumer migration towards online shopping accelerated. As such, the events that have arisen subsequent to year end have not had a material impact on the Groups assets and liabilities as reported at 31 December 2019.
