RISE • SHINE

eve Sleep plc ("eve" the "Company" or the "Group")

Interim Results

Halving of EBITDA losses, rebuild strategy progressing, new retail partnerships now live

eve Sleep, a direct-to-consumer sleep wellness brand operating in the UK, Ireland (together the "UK&I") and France, today issues its results for the six months ended 30 June 2019 (the "Period").

Financial Highlights[8]

	2019 H1 £m	2018 H1 £m	Movement
Revenue (UK&I and France) [1]	12.9	14.1	-8%
Gross profit [2]	6.7	7.8	-13%
Gross profit margin [2]	52.3%	54.8%	-250 bps
Marketing costs as a % of revenue [2,3]	51.0%	70.6%	-1960 bps
Marketing contribution [2,3,4]	(1.6)	(3.9)	+£2.3m
Underlying EBITDA Loss [5]	(5.9)	(11.9)	+£6.0m
Statutory loss before tax [6]	(6.7)	(12.0)	+£5.3m
Net Cash [7]	12.5	16.7	-£4.2m

Business Highlights

- Sales of non-mattress products now contributing 24% of revenues (H1 2018: 21%)
- Customer repeat rate increased to 19% (H1 2018: 16%)
- Marketing efficiency improved in all markets and whilst revenue was lower the marketing contribution has improved by £2.3m
- Conversion rate up 20 bps reflecting upgrades to the customer journey
- Raised £11.7m net of expenses in new equity and £0.9m in advertising credits from Channel Four

Post Period End

- Retail partnership with Next Home expanded in August 2019 by 104 stores to cover 158 sites
- Three new retail partnerships announced in July 2019: Argos now live alongside Dunelm with Homebase due to launch imminently
- Unprompted brand awareness in the UK&I grew from 10% in January 2019 to 15% in August 2019 (ahead of all D2C competitors), with awareness also up in France on the back of a new marketing campaign launched in June 2019
- Signed deal with British Rowing to be their official sleep partner

Current trading

As set out in the Company's trading update of 20 September 2019 eve has revised revenue guidance for the current financial year to between £25m and £27m as a result of the worsening macro-economic conditions and near permanent heavy discounting by competitors. The revision in revenue expectations is expected to have some flow through to the EBITDA loss, though a substantial year-on-year reduction in H2 losses and the full year loss is still expected.

James Sturrock, CEO of eve Sleep, commented:

"We are making good progress with our strategic focus to build a sleep wellness brand, as a key differentiator to peers and to secure the foundations for a profitable and sustainable future for eve. There has been a step-up in the depth and breath of product ranges, a 50% increase in brand awareness and improvements to our technology and systems to ensure the best experience for customers, all of which have driven a meaningful improvement in the customer repeat rate. In tandem, costs and cash are better managed, which is evident in the H1 reduction in losses and the cash outflow.

While the headwinds have increased, we have a flexible and adaptable business model, alongside a strategy that will clearly differentiate eve in the longer term from peers. We will continue to focus on the rebuild strategy through a combination of organic improvements and inorganic opportunities as and when they arise."

Footnotes

[1] In July 2018, the Board reviewed the number of territories that eve traded from, deciding to focus on the Core Markets of the UK&I and France, and withdrawing from the other territories. The headline revenues for 2019 and 2018 cover the UK&I and France. In the first half of 2018 the total reported revenue for all markets was £18.8m.

[2] Gross profit, gross profit margin, marketing costs and marketing contribution are all shown for the Core Markets of the UK, Ireland and France for the current and prior period.

[3] Indirect marketing costs, such as the cost of production for TV campaigns, were previously included in overheads but are now included within marketing costs. 2018 marketing costs have been restated to include these indirect costs.

[4] Marketing contribution is defined as the profit after marketing expenditure but before payroll and overhead costs

[5] Underlying EBITDA is defined as earnings before interest, tax, depreciation, amortisation, share-based payment charges (2018 and 2019) and fundraise-related expenditure (2019 only).

[6] Included within the Statutory loss before tax is EBITDA, fund raising expenses, interest income, depreciation and amortisation.

[7] In addition to the cash balance of £12.5m as at 30 June 2019 eve has £0.9m of advertising credits outstanding with Channel 4, following £0.9m of credits raised at the fund raising in February 2019

[8] Financial data has been rounded for presentation purposes. As a result of this rounding the totals, comparatives and calculations presented in this document may vary slightly from the arithmetic totals, calculations using such data.

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Summary

The focus for the first half of 2019 has been to reset the business, putting eve onto a more stable and secure long-term footing, with the intention of targeting sustainable and profitable sales growth in the second half of the year. Considerable progress has been made in this regard, most notably the successful fund raising in February 2019, which secured fresh equity of £11.7m net of expenses and an additional £0.9m of advertising credits with Channel Four, both of which are being used to fund the rebuild strategy.

Across the business good progress has been made with the rebuild strategy. At the Group level, this is most evident in the 50% year-on-year reduction in the underlying EBITDA loss. Unprofitable business has been cut and the level of promotional activity is now better optimised to drive contribution margin. Media investment was pared back during the Period compared to the prior year, while the marketing and brand strategy was being rebuilt, resulting in a 34% reduction in spend and a 1960 bps improvement in marketing efficiency, defined as marketing costs as a percentage of revenues. In tandem cost control has been tightly managed leading to a 22% year-on-year reduction in overheads.

The above improvements have been achieved against a highly challenging retail backdrop and an increasingly competitive mattress market, with deep discounts on a near permanent basis witnessed since January 2019.

In the UK&I trading in the period was broadly flat, with revenues of £10.2m, down 0.9% year-on-year. Sales of non-mattress products increased, contributing 23% of revenues in the Period (2018 H1: 20%), helped by a substantial increase in new products and strong demand for bedframes. The broader product range has also driven an improvement in the customer repeat rate to 19.4% (2018 H1: 16.4%). Marketing investment in the UK&I was 27% lower year-on-year.

The French business has required greater management focus to localise and reposition the brand. The 29% reduction in French revenues in the Period was predominantly driven by management's decision to focus on net contribution margin over sales growth, accompanied by a substantial reduction in marketing spend. Despite the large revenue reduction, the French contribution margin improved by £0.9m, to a loss of £1.2m. A new marketing campaign launched in France during the second half of June 2019.

Developments since the period end

Since the period end progress has continued, with major new marketing campaigns having been launched in the UK&I. The campaigns are distinct from peers and have been well received, driving a substantial uplift in brand awareness. In the UK unprompted brand awareness has risen from 10% at the start of the year to 15% in August 2019.

The Company has also signed three new retail partnerships with Argos, Homebase and Dunelm, and an extension to the Next Home partnership, with the addition of a further 104 Next stores. The Argos and Dunelm partnerships have already gone live, with Homebase expected to launch imminently.

eve has also signed a partnership agreement with British Rowing, and the sleep wellness brand will now be "Official Sleep Partner" to the national governing body for rowing. eve will support British Rowing in managing the sleep environment of the GB Rowing Team athletes, helping them perform at their best each day. The deal also includes exclusive offers for British Rowing club members.

eve has undergone considerable change in the last 12 months. It is pleasing and testament to the professionalism and commitment of the team that the quality of the customer offering and service levels have remained high, as evidenced by the returns rate, which has held steady at c12% and a market leading 4.7 out of 5.0 rating on Trustpilot.

Market overview and the macro backdrop

The European sleep market is estimated to be worth £26bn, with the core markets that eve is now focused on (UK&I and France) being worth £6bn. While there are many traditional operators, in what is a highly fragmented sleep market across Europe, there are fewer, well-branded digital operators of any meaningful size, competing in the wider sleep category. As the market continues to shift online, with Euromonitor predicting that the online furniture market will be the second fastest growing retail category, with online purchase penetration expected to increase by 55% between 2018 and 2023, eve is well placed to benefit.

There is also an increasing awareness of the importance of sleep for everyday health and wellbeing and the dangers of having insufficient sleep. There is currently no brand in Europe that has established itself as a sleep wellness brand. eve's ambition is to achieve just this; to be seen as the go-to brand for sleep wellness products.

While eve is insulated from the structural challenges currently facing 'bricks and mortar' retailers, the Company is not immune from the cyclical threats of a slowing economy and declining consumer confidence. The current level of uncertainty caused in part by Brexit is unprecedented and is having a meaningful impact on the housing market and 'big ticket' consumer purchases including furniture and bedding. These cyclical challenges are being compounded by the particular dynamics of the mattress market.

eve's strategy is to differentiate itself from peers, based on building a brand around the wider sleep wellness category. This can be seen in its advertising and eve's focus on building out a broader product range than its competitors.

Progressing the rebuild strategy

The progress made on each of the three pillars of the rebuild strategy is set out below:

1. Differentiated brand positioning

Key to creating shareholder value is to provide a differentiated position from peers. To achieve this the Company aims to become a trusted destination for a wider range of sleep wellness related products, supported by a new marketing strategy, refocused on the benefits that eve can provide consumers in sleep wellness.

During the period the company ran existing marketing campaigns whilst testing new promotional strategies and channel mix, as well as carrying out econometric analysis and modelling. This supported development of the new brand, communications and the creative strategy, which launched at the start of H2 2019.

The new UK&I campaign, 'wake up dancing' delivers the eve brand positioning more clearly and resonantly with consumers thanks to a distinctive and ownable brand asset (the dancing sloth) as well as a distinctive creative. In France, the investment and media strategy has been adapted to make better use of the peak sales periods, driving more efficient spend with an optimised creative strategy and revitalised positioning. This positioning, 'reborn again each morning' (renaissez chaque matin) is designed to elevate eve to be the premium brand in the nascent direct-to-consumer mattress category in France.

Marketing spend was 34% lower than the comparable period and whilst revenue was slightly softer, marketing efficiency improved significantly by 1960bps.

2. Expanded product range

The Company continues to build out a range of sleep wellness products to complement the increased range of next generation mattresses which currently include the original, the premium, the hybrid (springs and memory foam), the premium hybrid as well as the entry level light, in order to cover more price points and consumer preferences.

The rate of new product development stepped up in the period, with the launch of new bedframes and expanded ranges of bedding, pillows and the baby category. Sales of bedframes, including the new storage bedframe, have performed particularly well.

The benefits to the business of the increased ranges are evident in the Company's KPIs. In the UK&I sales of non-mattress products in the period increased to 24% of total revenues (H1 2018: 21%). The broader range also drove a 300 bps improvement in the customer repeat rate, a good demonstration of increasing brand stickiness.

3. Lower friction customer experience

Enhancing customer experience throughout the online journey and in the service proposition to drive stronger site conversion and customer satisfaction metrics is central to the rebuild strategy. Improved conversion will not only result in higher revenues but also greater marketing efficiency, which is key to achieving profitability.

The entire customer journey prior to purchase has been substantially upgraded, including a 50% plus improvement in the speed of loading the website, a redesigned home page with more focus on inspiring customers, building out category pages to help users discover products within our expanded ranges and new imagery, with copy/zoom functionality. Improvements have also been made to how promotions are presented on the website and subsequently accessed via digital media searches.

To improve the purchase process the cart and checkout have been rebuilt to make them faster and more intuitive, resulting in an improvement in the cart completion rate. The delivery proposition has also been improved with a move to a new carrier portfolio and warehouse consolidation. In addition to better communications with customers around confirmation, delivery tracking and product care guides, customers are now able to select a nominated delivery day for larger orders.

The changes made to the website and customer proposition have driven a 20 bps improvement in the conversion rate.

Alongside improvements to the website it has always been an important element of the strategy to expand the touch points where consumers can experience and purchase the eve product range. eve's omni-channel approach continues to be focused on retail partnerships. Considerable work was performed during the Period to pave the way for new retail partnerships, which were secured in early July with Argos, Dunelm and Homebase.

Consolidated Statement of Profit and Loss and Other Comprehensive Income

	Note	6 month period ended 30 June 2019 (Unaudited)	6 month period ended 30 June 2018 (Unaudited)	12 month period ended 31 December 2018 (Audited)
		£m	£m	£m
Revenue	2	**12.9**	**18.8**	**34.8**
Cost of sales	2	(6.2)	(8.6)	(16.4)
Gross profit		**6.7**	**10.2**	**18.4**
Distribution expenses	2	(1.2)	(2.3)	(4.1)
Administrative expenses		(11.5)	(19.9)	(34.4)
Share-based payment charges	5	(0.4)	(0.1)	(0.3)
Operating loss before fundraise-related expenditure		**(6.4)**	**(12.0)**	**(20.3)**
Fundraise-related expenditure		(0.3)	-	-
Operating loss		**(6.7)**	**(12.0)**	**(20.3)**
Net finance income		0.0	0.0	0.0
Loss before tax		**(6.7)**	**(12.0)**	**(20.3)**
Taxation		-	-	0.2
Loss for the period		**(6.7)**	**(12.0)**	**(20.1)**
Other comprehensive income				
Foreign currency differences from overseas operations		0.1	-	0.1
Total comprehensive loss for the period		**(6.6)**	**(12.0)**	**(20.0)**
Basic and diluted loss per share	3	(2.88p)	(8.66p)	(14.46p)

Consolidated Statement of financial Position

	Note	6 month period ended 30 June 2019 (Unaudited)	6 month period ended 30 June 2018 (Unaudited)	12 month period ended 31 December 2018 (Audited)
		£m	£m	£m
Non-current assets				
Property, plant and equipment		-	0.0	-
Intangible assets		0.8	0.6	0.7
Other non-current assets		-	0.4	-
		0.8	**1.0**	**0.7**
Current assets				
Inventories		1.2	1.0	1.1
Trade and other receivables		3.3	2.8	4.6
Cash and cash equivalents		12.5	16.7	6.0
Current tax receivable		-	-	0.2
		17.0	**20.4**	**12.0**
Total assets		**17.9**	**21.5**	**12.6**
Current liabilities				
Trade and other payables		4.2	5.6	4.6
Provisions		0.7	1.0	1.0
		4.9	**6.6**	**5.5**
Total liabilities		**4.9**	**6.6**	**5.5**
Net assets		**12.9**	**14.9**	**7.1**
Equity attributable to the equity holders of the parent				
Share capital	4	0.3	0.1	0.1
Share premium		48.6	36.7	36.7
Share-based payment reserve	**5**	0.5	0.1	0.3
Retained earnings		(36.6)	(22.1)	(30.1)
Foreign currency translation reserve		0.2	-	0.1
Total equity		**12.9**	**14.9**	**7.1**

Consolidated Statement of Changes in Equity

For the 6 months ended 30 June 2019

	Share capital	Share premium	Share-based payment reserve	Retained earnings	Foreign currency translation reserve	Total equity
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	£	£	£	£	£	£
Balance at 1 January 2019	**139,735**	**36,716,371**	**250,073**	**(30,073,145)**	**98,720**	**7,131,755**
Exercise of options	683	-	-	-	-	**683**
Issue of new share capital	120,317	11,911,415	-	-	-	**12,031,732**
Share-based payment charge	-	-	357,591	-	-	**357,591**
Transfer on exercise of options	-	-	(93,923)	93,923	-	**-**
Total transactions with owners	**121,000**	**11,911,415**	**263,668**	**93,923**	**-**	**12,390,007**
Loss for the period	-	-	-	(6,660,017)	-	**(6,660,017)**
Other comprehensive income for the period	-	-	-	-	54,520	**54,520**
Balance at 30 June 2019	**260,735**	**48,627,786**	**513,741**	**(36,639,238)**	**153,240**	**12,916,264**

For the 6 months ended 30 June 2018

	Share capital	**Share premium**	**Share-based payment reserve**	**Retained earnings**	**Foreign currency translation reserve**	**Total equity**
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**
	£	£	£	£	£	£
Balance at 1 January 2018	**138,631**	**36,716,371**	**138,794**	**(10,158,736)**	**-**	**26,835,060**
Exercise of options	652	-	-	-	-	**652**
Issue of new share capital	-	-	-	-	-	**-**
Share-based payment charge	-	-	78,194	-	-	**78,194**
Transfer on exercise of options	-	-	(73,991)	73,991	-	**-**
Total transactions with owners	**652**	**-**	**4,203**	**73,991**	**-**	**78,846**
Loss for the period	-	-	-	(12,042,802)	-	**(12,042,802)**
Other comprehensive income for the period	-	-	-	-	-	**-**
Balance at 30 June 2018	**139,283**	**36,716,371**	**142,997**	**(22,127,547)**	**-**	**14,871,104**

For the 12 months ended 31 December 2018

	Share capital	**Share premium**	**Share-based payment reserve**	**Retained earnings**	**Foreign currency translation reserve**	**Total equity**
	(Audited)	**(Audited)**	**(Audited)**	**(Audited)**	**(Audited)**	**(Audited)**
	£	£	£	£	£	£
Balance at 1 January 2018	**138,631**	**36,716,371**	**138,794**	**(10,158,736)**	**-**	**26,835,060**
Exercise of options	1,104	-	-	-	-	**1,104**
Issue of new share capital	-	-	-	-	-	**-**
Share-based payment charge	-	-	303,281	-	-	**303,281**
Transfer on exercise of options	-	-	(192,003)	192,003	-	**-**
Total transactions with owners	**1,104**	**-**	**111,279**	**192,003**	**-**	**304,385**
Loss for the period	-	-	-	(20,106,411)	-	**(20,106,411)**
Other comprehensive income for the period	-	-	-	-	98,720	**98,720**
Balance at 31 December 2018	**139,735**	**36,716,371**	**250,073**	**(30,073,145)**	**98,720**	**7,131,755**

Consolidated Statement of Cash Flows

	6 month period ended 30 June 2019 (Unaudited)	6 month period ended 30 June 2018 (Unaudited)	12 month period ended 31 December 2018 (Audited)
	£m	£m	£m
Cash flows from operating activities			
Loss for the period	(6.7)	(12.0)	(20.1)
Fundraise-related expenditure	0.3	-	-
Finance income	(0.0)	(0.0)	(0.0)
Taxation	-	-	(0.2)
Adjustments for:			
Interest paid	0.0	0.0	0.0
Amortisation	0.1	0.1	0.1
Impairment	-	-	0.0
(Increase)/Decrease in inventories	(0.1)	(0.2)	(0.4)
(Increase)/Decrease in trade and other receivables	1.5	1.2	(0.4)
Increase/(Decrease) in trade and other payables	(0.3)	1.1	0.0
Increase/(Decrease) in provisions	(0.2)	0.1	0.1
Share-based payment charge	0.4	0.1	0.3
Fundraise-related expenditure	(0.3)	-	-
Net cash outflows from operating activities	**(5.4)**	**(9.7)**	**(20.6)**
Cash flows from investing activities			
Acquisition of property, plant and equipment	-	(0.0)	(0.0)
Development of intangible assets	(0.3)	(0.2)	(0.4)
Other non-current assets	-	(0.4)	-
Net cash outflows from investing activities	**(0.3)**	**(0.6)**	**(0.4)**
Cash flows from financing activities			
Proceeds from the issue of share capital	12.0	0.0	0.0
Net cash inflow from financing activities	**12.0**	**0.0**	**0.0**
Net cash inflow/(outflow)	**6.4**	**(10.3)**	**(21.0)**
Cash at the beginning of the period	**6.0**	**26.9**	**26.9**
Movement in cash	6.4	(10.3)	(21.0)
Effect of exchange rate fluctuations on cash held	0.1	-	0.1
Cash at the end of the period	**12.5**	**16.7**	**6.0**

Notes to the accounts

1. Basis of preparation

The unaudited interim consolidated statements of eve Sleep plc are for the six months ended 30 June 2019 and do not comprise statutory accounts within the meaning of S.434 of the Companies Act 2006. These consolidated financial statements have been prepared in accordance with the recognition and measurement requirements of International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRSs) as adopted by the EU. They do not include all disclosures that would otherwise be required in a complete set of financial statements. The consolidated financial statements are presented in Sterling, which is also the Group's functional currency.

Going concern

The financial statements are prepared on a going concern basis notwithstanding that the group is competing and disrupting an established market and as is typical for a business at this stage of its lifecycle is still generating losses as it uses working capital to develop the business model and market share.

The Group has reported an underlying EBITDA[1] loss of £5.9m in the six months ended 30 June 2019 (30 June 2018: £11.9m loss) and an operating cash outflow of £5.4m (30 June 2018: £9.7m outflow). The Group completed a share placing in February 2019 raising £11.7m cash net of expenses (the "Placing") from existing and new investors, alongside £0.9m of future advertising spend credits, which at 30 June 2019 remain fully available for use against future advertising activity. The closing cash balance at 30 June 2019 is £12.5m.

The Directors set out the three core pillars of the re-build strategy in the Chief Executive's statement to the 2018 Annual Report and have prepared a strategic plan in order to grow the business in the refocused markets of UK&I and France. The plan is supported by a financial model, underpinned by a number of key business drivers. The business plan assumes continuing improvement in 2019 over those observed in 2018 for the majority of these drivers. The principle assumptions adopted in the forecast model which reflect these improvements are set out below:

- Revenue growth driven primarily by website traffic growth and conversion rate improvements;
- Marketing expenditure reduction over the prior year and more targeted spend moving forward.

[1] Underlying EBITDA is defined as earnings before interest, tax, depreciation, amortisation, share-based payment charges (2018 and 2019) and fundraise-related expenditure (2019 only).

To support the strategic plan the Directors have prepared cash flow forecasts covering a period of more than 12 months from the date of the publication of these financial statements. These forecasts in the base case indicate that the group will have sufficient funds to meet its liabilities as they fall due until such point that it achieves sustainable profitability and cash generation. However, the delivery of the strategic plan is subject to uncertainty and these have been modelled through sensitivity analysis. Where sensitivity analysis indicates the possibility of a material impact to the ability of the group to meet liabilities as they fall due, the Directors have considered what mitigating actions would be required and the timeframe within which those actions are needed. The key mitigating factors are centred around further reductions in controllable spend, including further marketing cost appraisal and reductions in other categories of discretionary spend. The Directors also consider that it would be reasonable to target working capital improvements such as reducing days through lower stock levels and reducing debtor days through facilities such as debt factoring as the group does not presently have any debt.

Uncertainties are such that potential mitigating actions, which would be over and above the current strategic plan, may not be sufficient to mitigate all reasonably possible downsides in assumptions. In such downsides the Directors would need further funding and would consider ways of sourcing this, which could include debt or possible further equity funding. The Directors consider that such scenarios are possible, but not the likely outcome.

Based on the above, the Directors believe it remains appropriate to prepare the financial statements on a going concern basis. However, these circumstances represent a material uncertainty that may cast significant doubt upon the company's ability to continue as a going concern and, therefore to continue realising its assets and discharging its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Changes to accounting standards

The accounts have been prepared in accordance with accounting policies that are consistent with the accounts of the year ended 31 December 2018 and that are expected to be applied in the Report and Accounts of the year ended 31 December 2019.

The Company has considered the change in accounting policy associated with the application of IFRS 16. The Company’s lease of 128 Albert Street, London, NW1 7NE terminated in line with the agreed upon lease term on 17 August 2019 and therefore the Company has taken advantage of the short-term lease exemption for lease assets and lease liabilities where a lease term ends within 12 months of the date of initial application of IFRS 16. Thus the presentation of this lease as an operating lease for the six months ending 30 June 2019 remains consistent with previous periods under IAS 17.

On 1 August 2019 the Company commenced a 24-month lease of 29A Kentish Town Road, London, NW1 8NL. The Company has recognised a lease asset and lease liability in relation to this lease from the inception of the lease.

2. Segmental Analysis

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

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

For the period 1 January 2019 - 30 June 2019

(Unaudited)

	UK&I	France	Rest of Europe	Rest of World	Total
	£m	£m	£m	£m	£m
Revenue	**10.2**	**2.8**	**0.0**	**0.0**	**12.9**
Cost of sales	(4.7)	(1.5)	0.0	0.0	(6.2)
Gross Profit	**5.5**	**1.2**	**0.0**	**0.0**	**6.7**
Distribution expenses	(0.8)	(0.5)	0.1	0.0	(1.2)
Segmental results	**4.7**	**0.7**	**0.1**	**0.0**	**5.5**
Administrative expenses					(11.5)
Share-based payment charge					(0.4)
Fundraise-related expenditure					(0.3)
Net finance income					0.0
Loss before tax					(6.7)

For the period 1 January 2018 – 30 June 2018

(Unaudited)

	UK&I	France	Rest of Europe	Rest of World	Total
	£m	£m	£m	£m	£m
Revenue	**10.3**	**3.9**	**4.3**	**0.4**	**18.8**
Cost of sales	(4.6)	(1.9)	(1.9)	(0.2)	(8.6)
Gross Profit	**5.7**	**2.0**	**2.4**	**0.2**	**10.2**
Distribution expenses	(0.9)	(0.5)	(0.9)	(0.0)	(2.3)
Segmental results	**4.8**	**1.5**	**1.4**	**0.1**	**7.9**
Administrative expenses					(19.9)
Share-based payment charge					(0.1)
Net finance income					0.0
Loss before tax					**(12.0)**

For the year ended 31 December 2018

(Audited)

	UK&I	France	Rest of Europe	Rest of World	Total
	£m	£m	£m	£m	£m
Revenue	**22.5**	**6.8**	**4.7**	**0.7**	**34.8**
Cost of sales	(10.7)	(3.2)	(2.2)	(0.4)	(16.4)
Gross Profit	**11.8**	**3.7**	**2.5**	**0.4**	**18.4**
Distribution expenses	(1.7)	(1.2)	(1.1)	(0.1)	(4.1)
Segmental results	**10.1**	**2.5**	**1.5**	**0.3**	**14.3**
Administrative expenses					(34.4)
Share-based payment charge					(0.3)
Net finance income					0.0
Loss before tax					**(20.3)**

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

Due to the nature of its activities the group is not reliant on any major customers.

3. Earnings per share

The basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Group by the weighted average number of ordinary shares in issue during the year.

	30 June 2019	**30 June 2018**	**31 December 2018**
	(Unaudited)	**(Unaudited)**	**(Audited)**
Weighted average shares in issue	231,586,565	139,051,360	139,087,779
Loss attributable to the owners of the parent company (£)	(6,660,017)	(12,042,802)	(20,106,411)
Basic earnings/(loss) per share (pence)	(2.88)	(8.66)	(14.46)
Diluted earnings/(loss) per share (pence)	(2.88)	(8.66)	(14.46)

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

For the periods presented the weighted average number of shares used for calculating the diluted loss per share are identical to those for the basic loss per share. This is because the outstanding share options would have the effect of reducing the loss per share and would not be dilutive under IAS 33.

At 30 June 2019, options outstanding amounted to 12,239,449 (30 June 2018: 4,583,521). Given the loss for the period of (£6,660,017) loss (six months to 30 June 2018: loss of (£12,042,802)), these options are anti-dilutive.

4. Share Capital

Allotted, issued and fully paid:

	30 June 2019 (Unaudited)	30 June 2018 (Unaudited)	31 December 2018 (Audited)
Number of ordinary shares	260,735,630	139,283,371	139,735,160
Nominal value per share (£)	(0.001)	(0.001)	(0.001)
Share Capital	260,736	139,283	139,735

5. Share-based payment charge

The Group recognised a charge of £0.4m related to share-based payments during the six months to 30 June 2019 (six months to 30 June 2018: £0.1m), all of which relates to equity-settled schemes. A charge of £0.3m was recognised during the year 2018.

The Company issues equity-settled share-based payments to certain employees, whereby employees render services in exchange for shares or rights over shares of the parent company. Equity-settled awards are measured at fair value at the date of grant. The fair value is calculated using an appropriate option pricing model and is expensed to the Statement of Total Comprehensive Income on a straight-line basis over the vesting period after allowing for an estimate of shares that will eventually vest.

On 1 April 2019, those share option awards granted on 12 May 2017 and during 2018 were cancelled. In accordance with IFRS 2, at the point of cancellation the Company accelerated the vesting period and immediately recognised the remaining share-based payment charge totalling £0.2m associated with these share options.

The number and weighted average exercise prices of share options are as follows:

	Weighted average exercise price To 30 June 2019 (Unaudited) **£**	**Number of options** 30 June 2019 (Unaudited)	**Weighted average exercise price** To 30 June 2018 (Unaudited) **£**	**Number of options** 30 June 2018 (Unaudited)	**Weighted average exercise price** To 31 December 2018 (Audited) **£**	**Number of options** 31 December 2018 (Audited)
Outstanding at the beginning of the period	**0.613**	**3,203,153**	**0.519**	**5,642,703**	**0.519**	**5,642,703**
Granted during the period	0.001	11,936,413	-	-	1.010	242,500
Forfeited during the period	0.621	(725,285)	0.485	(419,194)	0.768	(1,577,909)
Exercised during the period	0.001	(683,146)	0.001	(639,988)	0.001	(1,104,141)
Cancelled during the period	1.012	(1,491,686)	-	-	-	-
Lapsed during the period	-	-	-	-	-	-
Outstanding at the end of the period	**0.001**	**12,239,449**	**0.595**	**4,583,521**	**0.613**	**3,203,153**
Exercisable at the end of the period	**0.001**	**713,697**	**0.001**	**837,450**	**0.001**	**836,875**

The weighted average share price at the date of exercise of share options exercised during the period to 30 June 2019 was 6.78p (30 June 2018: 125.03p).

All options outstanding at the period end have an exercise price of £0.001 and a weighted average contractual life of 10 years.

Awards are categorised with reference to different fair values calculated for each agreement.

The fair value of employee share options is measured using a Black-Scholes model. Measurement inputs and assumptions are as follows:

	Award 1 16 Jan 2017	Award 2 16 Jan 2017	Award 3 23 Jan 2017	Award 4 25 Jan 2017	Award 5 26 Jan 2017	Award 6 20 Feb 2017
Share Class	Ord C	Ord	Ord	Ord	Ord	Ord
Fair Value at Grant Date	£0.06	£0.10	£0.10	£0.10	£0.10	£0.10
Exercise Price	£0.001	£0.001	£0.001	£0.001	£0.001	£0.001
Expected Volatility*	103%	103%	103%	103%	103%	102%
Option Life	10 years	10 years	10 years	10 years	10 years	10 years
Risk-free interest rate	0.200%	0.200%	0.235%	0.276%	0.300%	0.148%

	Award 7 1 Apr 2019	Award 8 23 May 2019
Share Class	Ord	Ord
Fair Value at Grant Date	£0.07	£0.06
Exercise Price	£0.001	£0.001
Expected Volatility*	82%	84%
Option Life	10 years	10 years
Risk-free interest rate	1.000%	1.000%

*Expected volatility is measured at the standard deviation of expected share price movements and based on a review of volatility experienced by listed companies of comparable industry sector and years of establishment.