12th March 2018

eve Sleep plc

Full Year Results

2017 sales up 132%, targeting UK profitability in Q4 2018

eve Sleep plc ("eve" , "Company" or the "Group"), the e-commerce focused, direct to consumer European sleep brand, today announces its full year results for the 12 months ended 31 December 2017.

Financial highlights

£m[1]	**2017**	**2016**	**Movement**
Revenue	27.7	12.0	+132%
Gross profit	16.0	5.8	+175%
Gross profit margin	*57.7%*	*48.6%*	*+910bps*
Adjusted EBITDA loss[2]	(15.1)	(11.3)	(3.8)
Adjusted EBITDA loss margin	(54.5%)	(94.7%)	+4,020bps
Statutory loss before tax	(19.0)	(11.3)	(7.7)
Net cash	26.9	4.6	+22.3

Business highlights

- Revenue growth of +132%, with the UK & Ireland ("UK & I") up +109% and International up +174%
- Non-mattress revenue contribution increased to 13% of total revenue (2016: 7%)
- Gross profit margin up 910 bps to 57.7%
- Improving marketing efficiency – H2 2017 UK&I marketing costs 49.2% of revenues (H1 2017: 64.1%)
- Operational in 15 countries and 145 stores across the UK and Germany
- Additional investment in marketing and overhead to support quicker than expected retail roll-out and the European expansion
- Extended the product range from 4 to 15 products
- UK brand awareness[3] at November 2017 of 6.6% (December 2016: 1.4%)
- Listed on AIM in May 2017 raising gross proceeds of £35.0m

Post period end

- Trading for the current year has started strongly with sales for the first six weeks 94% above the same period last year
- New retail deal with BUT in France

Commenting on the results CEO Jas Bagniewski said:

"In what is just our third year of operation we have more than doubled sales and driven substantial improvement in gross margins, whilst raising £35m of growth capital from our listing on AIM. Our progress was strong in H1, and accelerated further in H2, giving a full year growth rate of +132%. This step up in growth was evident in the UK and our international markets and was secured in tandem with a further and substantial improvement in marketing efficiency.

We are building a sizeable business across Europe that we believe will continue to win market share from traditional operators as the £26bn sleep market continues to transition online. Our results to date demonstrate that we have a winnable customer proposition in both the UK and Continental Europe and have a management team that can execute. We are still targeting to achieve UK profitability at the end of 2018 and Group profitability by the end of 2019."

The Company will be holding an analyst meeting today. For further details please contact Henry Conner at Instinctif Partners henry.conner@instinctif.com.

Enquiries:

eve Sleep plc Jas Bagniewski, Chief Executive Officer Abid Ismail, Chief Financial Officer	**via Instinctif Partners**
Peel Hunt LLP Dan Webster George Sellar Nicole McDougall	**+44 (0) 20 7418 8900**
Instinctif Partners Mark Reed Guy Scarborough	**+44 (0) 20 7457 2020**

About eve Sleep

eve is an e-commerce focused, direct to consumer European sleep brand, which designs and sells eve-branded mattresses and other sleep products, including pillows, sheets and duvets.

The Company principally focuses on the design, branding, marketing and selling of its products, with other aspects of its operations, including manufacturing and fulfilment, being outsourced. This model has enabled the Company to quickly scale internationally without the requirement for significant capital investment.

The Company's aim is to become the leading pan-European sleep brand.

The CEO and co-founder of the business Jas Bagniewski, previously worked at Rocket Internet as a Country Manager of start-ups including Zalando and Groupon. He is supported by a strong and experienced management team, headed by Paul Pindar as Chairman.

In May 2017 the Company listed on AIM, raising £35m gross proceeds (£32.9m net) to accelerate its growth strategy. The shares floated at 101p per share, valuing the business, post new money at c.£140m.

Footnotes

1. 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 or calculations using such data
2. Adjusted EBITDA is calculated before IPO related costs (£2.1m) and share based payment charges (£1.8m)
3. Source: Populus Omnibus

Chairman's statement 2017

Introduction

eve has achieved what it set out to do in 2017. The focus has been on rapid sales growth, with increasing cost efficiency. This has been achieved in both the UK and international markets. Underpinning this top line growth is a customer proposition that resonates with consumers and growing brand awareness. At the start of 2017 eve had unprompted brand awareness in the UK of 1.4%, rising to 6.6% by the end of the year.

Strategic progress

It is not just the customer proposition in the sleep market that has been tired and unchanged for many decades; it is also the vertically integrated, high fixed cost business model pursued by many of the more established, larger operators. eve is confident that the sleep market will follow the other retail markets and transition to online and has built a scalable business around a direct to consumer model. eve offers a premium product at an affordable price. Equally by focusing on the product, design and marketing, while outsourcing the manufacturing and delivery, eve can focus on its core strengths, whilst maintaining a low fixed cost, flexible business model.

During 2017 eve has made extensive strategic progress in terms of international development, increasing the product range and developing an omnichannel offering. The number of international markets has increased and the product range has broadened and now includes a bed frame, bedspread, throw as well as the Folk and eve sleepwear collection. While eve will retain its direct to consumer focus we recognise the advantages that select retail partnerships provide, including brand awareness and an additional sales channel. Substantial progress has been achieved in retail in 2017, surpassing our own expectations with the signing of Next Homeware in the UK and Karstadt in Germany, which have supplemented our Debenhams partnership. As a result, the number of physical stores offering eve products in the UK and Germany has increased from 1 to 145 by the end of the year.

Thank you

I would like to take this opportunity to thank the world class team we have assembled at eve whose hard work has made all we achieved in 2017 possible. They have created a product, brand and customer experience that has been disrupting a stagnant industry, changing the way people buy and think about mattresses and other sleep products.

Paul Pindar
Chairman

Strategic Report

Chief Executive's Report

Summary

Business model

eve is an e-commerce focused, direct to consumer European sleep brand which designs and sells eve-branded mattresses and other sleep products, including pillows, sheets and duvets. eve principally focuses on the design, branding, marketing and selling of its products, with other aspects of its operations, including manufacturing and fulfilment, being outsourced. Our strategy is to become the leading European sleep brand through penetrating existing territories further, expanding into new markets, extending our product range and developing our offline partnerships.

General review of the year

2017 has been an important year for eve. We have continued to strengthen our position in the UK, where we have become the most searched mattress brand online. We have also ramped up our internationalisation efforts, extended our non-mattress product offering and grown our retail presence to become a truly pan European sleep business, while in the background becoming the first UK retail IPO of 2017.

In the UK&I, revenue has grown +109% to £16.1m. Following completion of the IPO process in the first half of the year, renewed focus on delivery and execution has supported a step up in growth in the second half of the year, with UK&I revenue growth increasing from +107% in H1 to +110% in H2. Strong trends were also experienced in the International business with H1 revenue growth of +153% rising to +194% in H2, generating revenue growth of +174% for the full year.

Group marketing efficiency, measured as marketing as a % of revenue, has steadily improved during the second half of the year. In UK&I it improved from 64.1% in H1, to 49.2% in H2, and for the Group as a whole it improved from 69.7% in H1 to 56.4% in H2.

Brand awareness and marketing

This has been a year of aggressive growth and significant efficiency gains at eve Sleep. We are particularly pleased to see our longer-term UK investment in the eve Sleep brand starting to bear fruit, with unprompted awareness moving from 1.4% in December 2016 to 6.6% in November 2017. This has been aided by a strong reaction to our Join The Sleep Rich television advertising campaign, which first aired in August 2017.

Over the same December 2016 to November 2017 period, branded traffic[1] to the UK website has grown by +122%. This provides significant validation of our brand and marketing strategy, giving us confidence as we roll out similar strategies to our other geographies.

[1]Google searches with the word "eve mattress" in the title

International Growth

2017 saw us accelerate our international growth strategy and we are now operating in 15 markets. We achieved particularly strong year-on-year growth in France of +493% following a successful launch at the start of February 2016. Though late in the year, the agreement with Karstadt in Germany, which went live in November 2017, for a presence in 79 stores supports our retail strategy and helps grow brand awareness in Europe's largest mattress market.

The progress achieved to date demonstrates that our customer proposition, which combines a strong value for money proposition with an equally strong and distinctive brand, has international appeal. While the UK&I remains our largest market, contributing 58% of group revenues, the International contribution has risen from 35% in 2016 to 42% in 2017.

New product development

eve considerably strengthened its product portfolio of design-led sleep products from 4 in December 2016 to 15 in December 2017, including design collaborations (e.g. Folk Clothing and Clifford Richards.)

Customers have shown a high adoption of new products, with non-mattress products contributing 13% of group revenue (2016: 7%). We also have widened our global supply base this year, continuing to focus on European sourcing wherever possible to support the agile and flexible approach to stock holding and management.

In 2018 we intend to further build out our capacities for innovation, product design and creative concepts, as well as getting even closer to consumers to identify purchase drivers & human needs through insight generation.

Omnichannel

We have seen considerable growth through Omnichannel in 2017, mainly due to the acceleration of partnerships in the UK, which include a mix of offline and online retailers including Amazon, Debenhams, Next Home and Fenwick.

On the international landscape, eve signed two significant deals in November 2017 in Germany, one with Otto Group, one of the country's biggest ecommerce and catalogue companies, the second with Karstadt, one of the leading department store chains in Germany, giving eve a physical presence in 79 stores across Germany. These two deals give eve a significant omnichannel presence in one of the largest mattress markets in Europe.

At the end of 2017, eve had a physical presence in a total of 145 stores across UK and Germany (2016: 1). Omnichannel accounted for 14% of Group revenues in the year (2016: 5%) and generated £4.0m in revenue (2016: £0.6m).

Current trading and Outlook

The eve strategy is focused on winning share from traditional operators in the £26bn European sleep market, as the transition from offline to online purchase accelerates over the next few years. Forecasts by Euromonitor expect the online furniture market to be the second fastest growing category, growing +55% between 2017 and 2022. The Company remains confident that it has a customer proposition, direct to consumer focused agile business model and a fast growing brand that is sufficiently strong and differentiated to win in this transition.

Notwithstanding the difficult consumer market in the UK, eve's trading for the current year has started strongly with sales for the first six weeks 94% above the same period last year. Although early in the year, the Company continues to target UK profitability in Q4 of 2018 and Group profitability by the end of 2019.

Thank You

I would like to take this opportunity to thank our customers who have embraced a new way of shopping for mattresses and for their advocacy which has resulted in thousands of recommendations, positive online reviews and user generated content that continues to build trust in our brand and product offering.

I would also like to thank our staff and shareholders, new and existing, without whose investment and commitment into our company we would not have been able to grow at the speed we have done into the business we are today.

We have invested heavily in our technology platform, brand and team in 2017 and we look forward to continued growth in 2018.

Financial Review

Chief Financial Officer's report

£m	2017	2016	Movement
Revenue	**27.7**	**12.0**	**+132%**
Gross profit	**16.0**	**5.8**	**+175%**
Distribution	(3.4)	(1.2)	(179%)
Gross profit after distribution	**12.6**	**4.6**	**+174%**
Payment fees	(0.7)	(0.4)	(54%)
Marketing	(17.2)	(7.8)	(119%)
Gross profit after distribution, payment fees and marketing	**(5.3)**	**(3.7)**	**(43%)**
Wages & Salaries	(4.5)	(2.6)	(75%)
Other administrative expenses	(5.3)	(5.1)	(5%)
Adjusted EBITDA Loss	**(15.1)**	**(11.3)**	**(33%)**
IPO Related Expenditure	(2.1)	-	-
Net finance income	0.0	-	-
Share based payment charge	(1.8)	-	-
Loss before tax	**(19.0)**	**(11.3)**	**(67%)**

% of Revenue	2017	2016	Movement
Gross Profit	57.7%	48.6%	+910bps
Distribution	(12.4%)	(10.3%)	(210bps)
Gross profit after distribution	45.3%	38.3%	+700bps
Marketing	(61.9%)	(65.5%)	+360bps
Administrative expenses excluding marketing	(37.9%)	(67.5%)	+2960bps

Administrative expenses per the income statement include payment fees, marketing, wages & salaries and other administrative expenses

Revenue
eve group revenue grew by +132% from £12.0m to £27.7m, underpinned by growth across all regions. UK&I revenue was up +109% and represented 58% of the group (2016: 65%). International revenues have grown +174% underpinned by France, Germany and Poland which made up 76% of this total in 2017.

Gross Margins
In 2017, gross margins improved to 57.7% (2016: 48.6%), despite foam raw material prices increasing throughout the year. The margin improvements are driven primarily by economies of scale (500bps), lower product return rates and cost recovery through refurbished mattresses (310bps) and efficiency gains (100bps).

Distribution Costs
Distribution costs increased in 2017 in line with business growth, reflecting the expansion into more European countries. There has also been an impact from the increased product range. Consequently, distribution costs over revenue have increased to 12.4% in 2017 (2016: 10.3%).

Marketing Costs
Marketing expenditure includes all media buying spend by eve with the two primary channels being TV and digital marketing (Facebook and Google Ads). In 2017, total marketing spend increased 119% to £17.2m. However, despite this increased investment in building the eve brand, Group marketing efficiency improved by 360 bps, and UK&I by 750 bps compared with 2016.

Administrative Expenses (excluding marketing)
The largest cost within this category is wages & salaries making up 43% of the total cost (2016: 32%). The increase in wages & salaries reflects the investment in the eve team, with average headcount increasing from 51 to 96. Despite this, administrative expenses as a proportion of revenue improved to 37.9% (2016: 67.5%).

Underlying EBITDA loss (before IPO costs & share based payment charges)
The underlying EBITDA loss increased to £15.1m (2016: £11.3m) and reflects the investment in marketing and the team to support the continued growth targeted in 2018.

IPO Costs
On 18 May 2017, eve Sleep Ltd was admitted on to the AIM following a successful Initial Public Offering (IPO). The one-off costs associated with the IPO were £2.1m.

Share based payment
In accordance with IFRS, a share based payment charge for the options exercised in 2017 has been calculated and charged to the income statement. The charge for 2017 was £1.8m and reflects the accelerated vesting of some of the options in May 2017 as part of the IPO.

Loss for the year
The loss for the year has increased to £19.0m (2016: £11.3m).

Capital Expenditure
Due to the Group's outsourced business model, capital expenditure requirements remain low. The main area of capital expenditure in 2017 related to development work on the eve websites. The total capital expenditure for 2017 was £0.4m (2016: £0.0m).

Cash position
The Group had net cash of £26.9m at year end.

Abid Ismail
Chief Financial Officer

Consolidated Income Statement

	Note	2017	2016
		£	**£**
Revenue		**27,744,995**	**11,966,770**
Cost of sales		(11,749,049)	(6,152,136)
Gross profit		**15,995,946**	**5,814,634**
Distribution expenses		(3,430,085)	(1,231,308)
Administrative expenses		(27,686,895)	(15,921,078)
Operating loss before IPO related expenditure and share based payment charge		**(15,121,034)**	**(11,337,752)**
IPO related expenditure		(2,124,528)	-
Share based payment charge	6	(1,757,204)	-
Operating loss		**(19,002,766)**	**(11,337,752)**
Net finance income		25,096	-
Loss before tax		**(18,977,670)**	**(11,337,752)**
Taxation		**-**	-
Loss for the year		**(18,977,670)**	**(11,337,752)**

Consolidated Balance Sheet

	Note	2017 £	2016 £
Assets			
Non-current assets			
Property, plant and equipment		36,458	7,945
Intangible Assets		378,538	-
		414,996	**7,945**
Current assets			
Inventories		691,340	491,181
Trade and other receivables	7	4,177,056	1,049,660
Cash and cash equivalents		26,926,389	4,639,355
		31,794,785	**6,180,196**
Total assets		**32,209,781**	**6,188,141**
Current liabilities			
Trade and other payables		4,548,019	2,186,241
Provisions	8	826,702	715,097
		5,374,721	**2,901,338**
Total liabilities		**5,374,721**	**2,901,338**
Net assets		**26,835,060**	**3,286,803**
Equity attributable to equity holders of the parent			
Share capital	5	138,631	316
Share premium		38,334,781	16,124,928
Share based payment reserve		138,794	-
Retained earnings		(11,777,146)	(12,838,441)
Total equity		**26,835,060**	**3,286,803**

Consolidated Cash Flow Statement

	2017 £	2016 £
Cash flows from operating activities		
Operating Loss	(19,002,766)	(11,337,752)
IPO related expenditure	2,124,528	-
Operating loss before IPO related expenditure	**(16,878,238)**	**(11,337,752)**
Adjustments for:		
Depreciation	7,945	2,647
Increase in trade and other receivables	(3,127,396)	(629,515)
Increase in inventories	(200,159)	(491,181)
Increase in trade and other payables	2,361,778	1,992,740
Increase in provisions – net	111,606	540,962
Share based payment charge	1,757,204	-
Net cash outflow from operating activities	**(15,967,260)**	**(9,922,099)**
Acquisition of intangible assets	(378,538)	-
Acquisition of property, plant and equipment	(36,458)	(10,592)
Net cash outflow from investing activities	**(414,996)**	**(10,592)**
Proceeds from the issue of share capital	40,768,722	13,012,579
Costs of issue of shares	(2,124,528)	-
Net finance income	25,096	-
Net cash inflow from financing activities	**38,669,290**	**13,012,579**
Net increase in cash and cash equivalents	**22,287,034**	**3,079,888**
Cash and cash equivalents at start of period	4,639,355	1,559,467
Cash and cash equivalents at end of period	**26,926,389**	**4,639,355**

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Share Capital	Share Premium	Share based payment Reserve	Retained Earnings	Total Equity
	£	£	£	£	£
Balance at 1 January 2017	**316**	**16,124,928**	**-**	**(12,838,441)**	**3,286,803**
Issue of Shares	38,767	40,698,396	-	-	40,737,163
Bonus share issue	85,948	(85,948)	-	-	-
Share Premium Cancellation	-	(20,038,965)	-	20,038,965	-
Exercise of options	13,600	17,960	-	-	31,560
Share based payment charge	-	-	1,757,204	-	1,757,204
Transfer on exercise of options	-	1,618,410	(1,618,410)	-	-
Transactions with owners	**138,315**	**22,209,853**	**138,794**	**20,038,965**	**42,525,927**
Loss for the year	**-**	**-**	-	(18,977,670)	(18,977,670)
Balance at 31 December 2017	**138,631**	**38,334,781**	**138,794**	**(11,777,146)**	**26,835,060**

For the year ended 31 December 2016

	Share Capital	Share Premium	Share based payment Reserve	Retained Earnings	Total Equity
	£	£	£	£	£
Balance at 1 January 2016	**226**	**3,112,439**	**-**	**(1,500,689)**	**1,611,976**
Issue of Shares	90	13,012,489	-	-	13,012,579
Transactions with owners	**90**	**13,012,489**	**-**	**-**	**13,012,579**
Loss for the year	**-**	**-**	-	(11,337,752)	(11,337,752)
Balance at 31 December 2016	**316**	**16,124,928**	**-**	**(12,838,441)**	**3,286,803**

Notes to the accounts

1. Reporting Entity

eve Sleep plc (the "Company") is a public company, domiciled and registered in England in the UK. The registered number is 09261636 and the registered address at 31 December 2017 was Interchange Atrium, The Stables Market, Chalk Farm Road, London, England, NW1 8AH. On 5 February 2018 the company changed its registered address to 128 Albert Street, London, United Kingdom, NW1 7NE.

2. Basis of preparation

The condensed consolidated financial information for the year to 31 December 2017 has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards ("IFRS") as adopted for use in the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The accounting policies adopted for the year to 31 December 2017 are consistent with those adopted and disclosed in the Group financial statements for the year to 31 December 2016.

The financial information contained within this preliminary announcement for the years to 31 December 2017 and 31 December 2016 does not comprise statutory financial statements within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year to 31 December 2016 have been filed with the Registrar of Companies and those for the year to 31 December 2017 will be filed following the Company's annual general meeting. The auditors' report on the statutory accounts for each of the years to 31 December 2017 and 31 December 2016 is unqualified, does not draw attention to any matters by way of emphasis, and does not contain any statement under section 498 of the Companies Act 2006.

Going concern

The Directors have reviewed current performance and cash flow forecasts, and are satisfied that the Group's forecasts and projections, taking account of potential changes in trading performance, show that the Group will be able to operate within the level of its current facilities for the foreseeable future. The Directors have therefore continued to adopt the going concern basis in preparing the Group's financial statements.

Changes to accounting standards

The accounting policies applied are consistent with those adopted and disclosed in the Group financial statements for the year ended 31 December 2016. Various new accounting standards and amendments were issued during the year, none of which have an impact on the current year.

The following accounting standards are in issue but not yet effective and have not been adopted by the Group:

- IFRS 9 'Financial Instruments' replaces IAS 39 'Financial Instruments Recognition and Measurement'. The standard is effective for accounting periods beginning on or after 1 January 2018. The Group has completed an assessment of IFRS 9 and it is expected that adoption will not have a material impact on the results or financial position of the Group.

- IFRS 15 'Revenue from Contracts with Customers' replaces IAS 18 'Revenue'. This standard is effective for accounting periods beginning on or after 1 January 2018. The Group has completed an assessment of IFRS 15 and it is expected that adoption will not have a material impact on the results or financial position of the Group.

- IFRS 16 'Leases' is effective for periods beginning on or after 1 January 2019. Early adoption is permitted if IFRS 15 has also been adopted. The standard will require lease liabilities and the right of use assets for leases to be recognised on the Statement of Financial Position. The Group has completed an assessment of IFRS 16. The net impact on the income statement between the old and the new leasing standards is immaterial, and a recognition of leased assets and liabilities will be presented on the balance sheet.

3. 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.

Year ended 31 December 2017

	UK&I £	Rest of Europe £	Rest of World £	Total £
Revenue	**16,145,542**	**10,565,634**	**1,033,819**	**27,744,995**
Cost of sales	(6,554,822)	(4,861,552)	(332,675)	(11,749,049)
Gross Profit	**9,590,720**	**5,704,082**	**701,144**	**15,995,946**
Distribution expenses	(1,412,199)	(1,828,462)	(189,423)	(3,430,084)
Segmental Results	**8,178,521**	**3,875,620**	**511,721**	**12,565,862**
Administrative expenses				(27,686,895)
IPO Related Expenditure				(2,124,528
Share based payment Charge				(1,757,204)
Net Finance income				25,096
Loss before tax				**(18,977,670)**

Year ended 31 December 2016

	UK&I £	Rest of Europe £	Rest of World £	Total £
Revenue	**7,733,404**	**3,150,950**	**1,082,416**	**11,966,770**
Cost of sales	(3,781,404)	(1,769,754)	(600,978)	(6,152,136)
Gross Profit	**3,952,000**	**1,381,196**	**481,438**	**5,814,634**
Distribution expenses	(628,538)	(369,591)	(233,178)	(1,231,308)
Segmental Results	**3,323,461**	**1,011,605**	**248,260**	**4,583,326**
Administrative expenses				(15,921,078)
IPO Related Expenditure				-
Share based payment Charge				-
Net Finance income				-
Loss before tax				**(11,337,752)**

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

4. 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.

	31 December 2017	31 December 2016
Weighted average shares in issue	117,336,860	2,691,942
Loss attributable to owners of the parent company	(18,977,670)	(11,337,752)
Basic earnings/(loss) per share (pence)	**(16.17)**	**(421.17)**
Diluted earnings/(loss) per share (pence)	**(16.17)**	**(421.17)**

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.

During the year the Company issued bonus shares prior to its admission to AIM on a 250:1 basis followed by a consolidation of shares. Loss per share reflects the effect of the bonus issue and is provided in the interests of further and better disclosure. The number shares in issue for the current period has been stated to reflect the share capital structure post-bonus issue; this adjustment assumes the total number of bonus shares were in issue throughout the whole of the period before the IPO on 18 May 2017.

The calculation for the year ended 31 December 2016 is based on the share capital pre IPO Share capital re-organisation and re-registration of eve Sleep Ltd to become eve Sleep PLC which completed on 18 May 2017.

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 31 December 2017, options outstanding amounted to 5,642,703. Given the loss for the year of £18,977,670 (2016 loss: £11,337,752), these options are anti-dilutive.

5. Share Capital

Allotted, issued and fully paid:

	Number	Nominal Value £	31 December 2017 £	31 December 2016 £
Ordinary Shares	138,631,020	£0.001	138,631	-
Ordinary Shares	830,400	£0.0001	-	83
Ordinary A Shares	738,780	£0.0001	-	74
Ordinary B Shares	68,500	£0.0001	-	7
Ordinary C Shares	165,412	£0.0001	-	17
Preference Shares	358,600	£0.0001	-	36
Preference A Shares	1,001,379	£0.0001	-	100
Total			**138,631**	**316**

The table below summarises the movements in number of shares at the beginning and end of the period

	Ordinary Shares	Ordinary A Shares	Ordinary B Shares	Ordinary C Shares	Preference Shares	Preference A Shares
Share capital at 31 December 2016	830,400	738,780	68,500	165,412	358,600	1,001,379
Nominal Value £	£0.0001	£0.0001	£0.0001	£0.0001	£0.0001	£0.0001
Value of Share Capital £	83	74	7	17	36	100
Summary of movements in share capital						
Investors shares allotted	-	-	-	-	-	274,850
Shares prior to bonus issue	830,400	738,780	68,500	165,412	358,600	1,276,229
Bonus issue and consolidation prior to admission	20,012,640	17,804,598	1,650,850	3,986,429	8,642,260	30,757,118
Shares post bonus issue	20,843,040	18,543,378	1,719,350	4,151,841	9,000,860	32,033,347
Exercise of options over C ordinary shares	-	-	-	4,151,841	-	-
Conversion of all share classes to ordinary shares	69,600,617	(18,543,378)	(1,719,350)	(8,303,682)	(9,000,860)	(32,033,347)
Shares allotted on admission to AIM	34,587,411	-	-	-	-	-
Exercise of options over ordinary shares	13,599,952	-	-	-	-	-
Share capital at 31 December 2017	**138,631,020**	**-**	**-**	**-**	**-**	**-**
Nominal Value £	**£0.001**	**£0.001**	**£0.001**	**£0.001**	**£0.001**	**£0.001**
Value of Share Capital £	**138,631**	**-**	**-**	**-**	**-**	**-**

The following fully paid shares were allotted during the year at a premium as shown below:

- 68,077 Preference AA shares of £0.0001 each were allotted with £11.75 paid up on each share
- 206,773 Preference A shares of £0.0001 each were allotted with £24.18 paid up on each share

On 12 May 2017, the company issued 859,480,250 bonus shares to meet the minimum nominal share capital requirements for a public company and consolidated the share capital of the company so that shares of 0.01 pence each in the capital of the Company of every class were consolidated into shares of 0.1 pence each, with the resulting total share capital being 20,843,040 ordinary shares of 0.1 pence each, 18,543,378 Ordinary A shares of 0.1 pence each, 1,719,350 Ordinary B shares of 0.1 pence each, 4,151,841 Ordinary C shares of 0.1 pence each, 9,000,860 Preference shares of 0.1 pence each and 32,033,347 Preference A shares of 0.1 pence each.

On 12 May 2017, 4,151,841 Ordinary C shares of 0.1 pence each were allotted, following the exercise of options over ordinary C shares.

The Company was re-registered as a public company on 12 May 2017 and by special resolution changed its name to eve Sleep plc.

Immediately prior to admission all shares in the company converted to Ordinary Shares in accordance with Articles 10, 12A and 12B of the company's articles of association in force at the relevant time with the resulting total share capital being 90,443,657 Ordinary shares immediately prior to admission.

The Company's issued share capital on admission to AIM became 138,349,644 Ordinary shares (with an aggregate nominal value of £138,350) by virtue of the 34,587,411 placing shares and exercise over options of 13,318,576 shares.

During the year since admission to AIM, a further 281,376 exercise over options took place to bring the total share capital to 138,631,020 at 31 December 2017.

6. Share based payment charge

The Group recognised a charge of £1.8m (2016: £0.0m) related to share-based payments during the year to 31 December 2017, all of which relates to equity-settled schemes

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.

The Company operates an HMRC approved executive management incentive plan (EMI). The vesting conditions are based on length of service with typically 25% of the options vesting on or after the 12-

month anniversary of the employee's start after which vesting occurs in equal monthly tranches so that options vest in full on the 48-month anniversary of the employee's start date. All options are equity settled. The terms and conditions of the grants are as follows:

Grant Date	Number of Contracts	Number of Options	Exercise Price	Performance conditions	Expiry date
16/01/2017	13	14,017,897	£0.001	Length of service	16/01/2027
16/01/2017	3	4,653,841	£0.001	Performance Based	16/01/2027
23/01/2017	3	56,626	£0.001	Length of service	23/01/2027
25/01/2017	22	1,289,236	£0.001	Length of service	25/01/2027
20/02/2017	1	18,825	£0.001	Length of service	20/02/2027
10/04/2017	1	251,000	£0.001	Length of service	10/04/2027
12/05/2017	18	2,222,731	£1.012	Length of service	12/05/2027

The Company operates an unapproved executive incentive plan. The vesting conditions for grants made on 12 May 2017 are based on length of service with 100% of the options vesting on 36-month anniversary of the employee's start date. The remaining options have vesting conditions based on length of service with typically 25% of the options vesting on or after the 12-month anniversary of the employee's start date after which vesting occurs in equal monthly tranches so that options vest in full on the 48-month anniversary of the employee's start date. All options are equity settled.

The terms and conditions of the grants are as follows:

Grant Date	Number of Contracts	Number of Options	Exercise Price	Performance conditions	Expiry date
13/07/2015	1	132,905	£0.001	Length of service	13/07/2025
01/01/2016	1	49,447	£0.001	Length of service	01/01/2026
01/02/2016	1	224,269	£0.001	Length of service	01/02/2026
26/01/2016	1	12,550	£0.001	Length of service	26/01/2026
12/05/2017	6	991,798	£1.012	Length of service	12/05/2027
12/10/2017	1	23,939	£0.001	Length of service	12/10/2027
20/10/2017	1	23,833	£0.001	Length of service	20/10/2027

All options over the ordinary shares granted prior to 12 May 2017, remained in place following admission but have been adjusted, in accordance with the terms of the option agreements, to take into account the Share Capital Reorganisation such that, prior to any exercise of options in connection with the admission, there were options over 16,554,755 Ordinary shares. The number of options in the tables above are presented in values in effect after the Share Capital Reorganisation.

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

	Weighted Average Exercise Price 2017 £	Number of Options 2017
Outstanding at the beginning of the year	**£0.001**	**419,171**
Granted During the year	£0.139	23,549,726
Forfeited during the year	£0.566	(574,401)
Exercised during the year	£0.001	(17,751,793)
Lapsed during the year	-	-
Outstanding at the end of the year	**£0.519**	**5,642,703**
Exercisable at the end of the year	**£0.001**	**1,000,755**

The weighted average share price at the date of exercise of share options exercised during the year was 103.94p.

The options outstanding at the year end have an exercise price in the range of £0.001 to £1.012 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 17 £	**Award 2 16 Jan 17 £**	**Award 3 23 Jan 17 £**	**Award 4 25 Jan 17 £**	**Award 5 26 Jan 17 £**	**Award 6 20 Feb 17 £**
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	£1.012	£0.001	£0.001
Expected Volatility	103%	103%	103%	103%	103%	102%
Option Life	10 yrs	10 yrs	10 yrs	10 yrs	10 yrs	10 yrs
Risk free interest rate	0.200%	0.200%	0.235%	0.276%	0.300%	0.148%

For the purpose of calculating the share based payment charge, awards made between 21 February 2017 and 18 May 2017 have a fair value of £0.96 with reference to the investment on 15 March 2017.

Subsequent awards fair value is determined in reference to the market share price at the date of grant.

7. Trade and other receivables

	2017 £	**2016 £**
Trade receivables	767,426	322,503
Other receivables	2,608,934	494,806
Prepayments	800,696	232,351
Total	**4,177,056**	**1,049,660**

All trade and other receivables are short-term. The directors consider that the carrying amount of trade receivables approximates to their fair value. All trade and other receivables have been reviewed for indications of impairment.

Trade receivables represent amounts due from wholesale and retail customers.

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

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

Four major retail customers accounted for 69% of the total balance of trade receivables on 31 December 2017, compared to 2016 where 72% of the total balance was attributable to one major customer.

Included in other receivables is £0.7m relating to VAT which is expected to be fully recoverable.

Ageing of receivables	2017 £	2016 £
Not overdue	378,260	294,172
Overdue between 0-30 days	378,240	4,203
Overdue between 31-60 day	10,183	3,664
Overdue between 61-90 days	743	20,464
Total	**767,426**	**322,503**

In determining the recoverability of a trade receivable the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the relevant year-end.

8. Provisions

	Refunds £	Sales Return £	Total £
Balance at 31 December 2016	560,683	154,414	715,097
Provisions made during the year	826,702	-	826,702
Provisions used during the year	(560,683)	(154,414)	(715,097)
Balance at 31 December 2017	**826,702**	**-**	**826,702**

A refund provision is required as the Group provides certain products to customers under a 100 day trial period.

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

A sales return provision is required as inventory purchased by wholesale customers may be returned under warranty or other contractual conditions. The Group is able to monitor the level of inventory held by third parties in order to identify the level of returns likely to arise at period ends. At 31 December 2017 no provision was recognised in this respect.