Cards Holdco Limited

HISTORICAL FINANCIAL INFORMATION

Cards Holdco Limited

COMBINED AND CONSOLIDATED INCOME STATEMENT

	Note	Year ended 30 April			Six month period ended 31 October	
					Unaudited	
		2018	**2019**	**2020**	**2019**	**2020**
		£'000	**£'000**	**£'000**	**£'000**	**£'000**
Revenue	*2*	87,857	120,141	173,119	66,302	155,898
Cost of sales		(39,522)	(56,936)	(81,430)	(31,073)	(75,140)
Gross profit		**48,335**	**63,205**	**91,689**	**35,229**	**80,758**
Selling and administrative expenses		(32,827)	(49,234)	(58,581)	(25,488)	(47,773)
Other income		-	-	-	-	738
Operating profit	*3*	**15,508**	**13,971**	**33,108**	**9,741**	**33,723**
Finance income	*5*	399	847	942	826	356
Finance expense	*5*	-	(898)	(2,275)	(1,189)	(1,089)
Profit before taxation		**15,907**	**13,920**	**31,775**	**9,378**	**32,990**
Income Tax	*7*	(50)	(325)	(1,077)	(580)	(5,150)
Profit for the year		**15,857**	**13,595**	**30,698**	**8,798**	**27,840**
Earnings per share attributable to the owners of the parent (pence)						
-Basic	*21*			10,233		9,280

All activities relate to continuing operations. All the profit for the year is attributable to the equity holders of the parent. The accompanying notes are an integral part of the historical financial information.

Cards Holdco Limited

COMBINED AND CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 30 April			Six month period ended 31 October *Unaudited*	
	Note	**2018**	**2019**	**2020**	**2019**	**2020**
		£'000	**£'000**	**£'000**	**£'000**	**£'000**
Profit for the year	*3*	**15,857**	**13,595**	**30,698**	**8,798**	**27,840**
Other comprehensive income and expenses						
Items that may be reclassified to profit or loss						
Exchange differences on translation of foreign operations		**-**	(16)	23	271	**(253)**
Subtotal items that may be reclassified						
Other comprehensive income		**-**	(16)	23	271	**(253)**
Total comprehensive income for the year		**15,857**	**13,579**	**30,721**	**9,069**	**27,587**

Cards Holdco Limited

COMBINED AND CONSOLIDATED STATEMENT OF FINANCIAL POSITION

			30 April		31 October
	Note	**2018**	**2019**	**2020**	**2020**
		£'000	**£'000**	**£'000**	**£'000**
ASSETS					
Non-current assets					
Intangible assets	*8*	3,912	35,594	35,851	37,161
Property, plant and equipment	*9*	7,868	8,657	18,848	18,069
Other non-current assets	*11*	-	166	200	208
Deferred tax assets	*7*	63	-	-	-
Total non-current assets		**11,843**	**44,417**	**54,899**	**55,438**
Current assets					
Inventories	*10*	1,636	2,709	2,897	6,190
Trade and other receivables	*11*	6,899	27,346	38,163	46,131
Corporation tax receivable	*7*	1,658	1,155	-	1,551
Cash and cash equivalents	*12*	2,035	2,146	12,079	7,296
Total current assets		**12,228**	**33,356**	**53,139**	**61,168**
TOTAL ASSETS		**24,071**	**77,773**	**108,038**	**116,606**
LIABILITIES					
Current liabilities					
Trade and other payables	*15*	9,816	18,481	34,967	30,569
Contract liabilities	17	2,813	2,822	6,044	3,333
Current tax liabilities	7	-	-	98	-
Borrowings	*14*	-	25,096	28,946	27,879
Provisions for other liabilities and charges	*16*	438	268	3,303	904
Total current liabilities		**13,067**	**46,667**	**73,358**	**62,685**
Non-current liabilities					
Deferred tax liabilities	*7*	-	2,666	2,867	3,133
Shareholder loan notes	*14*	-	146	-	-
Lease liabilities	*14*	-	-	11,482	10,341
Other payables	*15*	686	6,254	-	-
Provisions for other liabilities and charges	*16*	816	816	816	906
Total non-current liabilities		**1,502**	**9,882**	**15,165**	**14,380**
TOTAL LIABILITIES		**14,569**	**56,549**	**88,523**	**77,065**
Invested capital	*13*	9,502	21,224	-	**-**
Ordinary share capital		**-**	**-**	-	**-**
Share premium	*13*	-	-	251,362	251,362
Merger reserve	*13*	-	-	(229,814)	(229,814)
Retained earnings		-	-	(2,040)	18,239
Foreign currency translation reserve	*13*	-	-	7	(246)
TOTAL EQUITY		**9,502**	**21,224**	**19,515**	**39,541**
TOTAL EQUITY AND LIABILITIES		**24,071**	**77,773**	**108,038**	**116,606**

Cards Holdco Limited

COMBINED AND CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Ordinary Share Capital £'000	Share Premium £'000	Merger Reserve £'000	Invested Capital £'000	Retained Earnings £'000	Foreign currency translation reserve £'000	Total equity £'000
At 1 May 2017		-	-	-	1,408	-	-	**1,408**
Profit for the year		-	-	-	15,857	-	-	**15,857**
Total comprehensive income		**-**	**-**	**-**	**17,265**	**-**	**-**	**17,265**
Settlement of Group relief		-	-	-	(7,763)	-	-	**(7,763)**
As at 30 April 2018		**-**	**-**	**-**	**9,502**	**-**	**-**	**9,502**
Profit for the year		-	-	-	13,595	-	-	**13,595**
Other comprehensive loss		-	-	-	(16)	-	-	**(16)**
Total comprehensive income		**-**	**-**	**-**	**13,579**	**-**	**-**	**13,579**
Settlement of Group relief		-	-	-	(1,857)	-	-	**(1,857)**
As at 30 April 2019		**-**	**-**	**-**	**21,224**	**-**	**-**	**21,224**
Dividends declared		-	-	-	(25,527)	-	-	**(25,527)**
Profit for the period to 9 April 2020		-	-	-	25,835	-	-	**25,835**
Investment in Cards Holdco Limited	*13*	-	251,362	(229,814)	(21,532)	-	(16)	-
Profit for the period to 30 April 2020		-	-	-	-	4,863	-	**4,863**
Other comprehensive income		-	-	-	-	-	23	**23**
Total comprehensive income		**-**	**-**	**-**	**-**	**4,863**	**23**	**4,886**
Settlement of Group relief		-	-	-	-	(6,903)	-	**(6,903)**
As at 30 April 2020		**-**	**251,362**	**(229,814)**	**-**	**(2,040)**	**7**	**19,515**
Profit for the period		-	-	-	-	27,840	-	**27,840**
Other comprehensive loss		-	-	-	-	-	(253)	**(253)**
Total comprehensive income		**-**	**-**	**-**	**-**	**27,840**	**(253)**	**27,587**
Settlement of Group relief		-	-	-	-	(7,561)	-	**(7,561)**
As at 31 October 2020		**-**	**251,362**	**(229,814)**	**-**	**18,239**	**(246)**	**39,541**

Cards Holdco Limited

COMBINED AND CONSOLIDATED CASH FLOW STATEMENT

		Year ended 30 April			Six month period ended 31 October	
					Unaudited	
	Notes	**2018**	**2019**	**2020**	**2019**	**2020**
		£'000	**£'000**	**£'000**	**£'000**	**£'000**
Cash flow from operating activities						
Profit before taxation		15,907	13,920	31,775	9,378	32,990
Adjustments for:						
Depreciation, amortisation & impairment	8, 9	2,061	6,036	10,394	4,917	5,717
Gain on disposal of non-current assets		-	-	(4)	-	-
Net finance expense / (income)	5	(399)	51	1,333	363	733
R&D tax credit		(431)	(415)	(296)	(220)	(168)
Changes in working capital:						
(Increase)/decrease in inventories		(734)	(163)	(183)	(919)	(3,248)
Decrease/(increase) in trade and other receivables		1,942	86	(1,131)	(191)	522
Increase/(decrease) in trade and other payables		921	3,743	15,602	1,359	(7,893)
Increase/(decrease) in trade and other receivables and payables with other Horizon group entities		(424)	2,831	3,502	105	(2,579)
Cash generated from operating activities		**18,843**	**26,089**	**60,992**	**14,792**	**26,074**
Interest received / (paid)		-	3	(14)	4	(18)
Income tax (paid) / received		(945)	600	658	(122)	(6,469)
Net cash generated from operating activities		**17,898**	**26,692**	**61,636**	**14,674**	**19,587**
Cash flow from investing activities						
Proceeds from sale of property, plant and equipment		-	-	174	-	-
Purchase of intangible assets	8	(3,117)	(4,118)	(6,420)	(3,124)	(4,016)
Purchase of property, plant and equipment	9	(4,091)	(1,804)	(1,236)	(877)	(1,016)
Acquisition of subsidiary, net of cash acquired	19	-	(24,224)	-	-	-
Net cash used in investing activities		**(7,208)**	**(30,146)**	**(7,482)**	**(4,001)**	**(5,032)**
Cash flow from financing activities						
Proceeds from borrowings	14	-	24,216	88	4	196
Payments to other Horizon group entities		(12,410)	(20,707)	(41,585)	(9,730)	(15,318)
Repayment of borrowings		-	-	-	-	(3,055)
Transaction costs relating to the issue of debt		-	-	-	-	-
Lease liabilities paid	14	-	-	(1,621)	(564)	(1,109)
Interest paid on leases	14	-	-	(880)	(455)	(397)
Proceeds from/(repayment of) shareholder loans	14	-	151	(155)	(155)	-
Net cash used in financing activities		**(12,410)**	**3,660**	**(44,153)**	**(10,900)**	**(19,683)**
Net (decrease)/ increase in cash and cash equivalents		**(1,720)**	**206**	**10,001**	**(227)**	**(5,128)**
Opening cash and cash equivalents		3,755	2,035	2,146	2,146	12,079
Effect of exchange rate changes on cash and cash equivalents		-	(95)	(68)	7	345
Closing cash and cash equivalents		**2,035**	**2,146**	**12,079**	**1,926**	**7,296**

1.1 CORPORATE INFORMATION

The primary business of the Group is the retail of cards and gifting products. The Group comprises two e-commerce brands; Moonpig, which sells greeting cards and gifts to customers predominantly in the UK, and Greetz, a Netherlands based cards and gifts business acquired during the year ended 30 April 2019. Customer transactions are completed through a website and mobile app. The Group operates a production and logistics network comprising a combination of in-house and outsourced facilities, with factories in each of its core markets (UK and Netherlands) and a network of third party outsourcers.

1.2 BASIS OF PREPARATION

For the purposes of this historical financial information, the term "Group" refers to those entities that comprise Cards Holdco Limited "the Company" and its subsidiaries whilst they have formed part of Horizon Group.

On 9 April 2020, a group reorganisation was completed where Cards Holdco Limited became the holding company of the entities comprising the Group. This was accounted for using common control merger accounting. The entities form part of the group comprising Horizon Holdco Limited, a company incorporated and domiciled in England and Wales, and its subsidiaries (the "Horizon Group"). The members of the Cards Holdco Group are included in note "26 Related Undertakings".

These entities include Cards Holdco Limited, since its incorporation on 22 August 2019, Moonpig.com Limited, a company incorporated and domiciled in England and Wales, and Horizon Bidco B.V., a company incorporated and domiciled in the Netherlands, since its incorporation on 26 July 2018 and its subsidiaries.

On 30 August 2018, Horizon Bidco B.V, a member of the Group, acquired 100% of the share capital of Venspro B.V and its subsidiaries ("Greetz"), a Dutch greeting card and personalised gift e-commerce retailer. The acquisition was accounted for as a business combination under IFRS 3 (Refer to note 19).

The combined and consolidated Historical Financial Information for the three years ended 30 April 2020 and the six months ended 31 October 2019 and 31 October 2020 ("HFI") has been prepared specifically for the purposes of this document and in accordance with the UK Prospectus Regulation, the Listing Rules and in accordance with this basis of preparation.

The Historical Financial Information is presented in pounds sterling and all values are rounded to the nearest thousand (£000) except where otherwise indicated.

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

The basis of preparation describes how the financial information has been prepared in accordance with International Financial Reporting Standards and IFRS Interpretations Committee (IFRS IC) and Standing Interpretations Committee interpretations as adopted by the European Union ("IFRS"), except as described below.

IFRS does not provide for the preparation of combined financial information and accordingly in preparing the Historical Financial Information certain accounting conventions commonly used for the preparation of historical financial information for inclusion in investment circulars as described in the Annexure to SIR 2000 (Standards for Investment Reporting applicable to public reporting engagements on historical financial information) issued by the UK Auditing Practices Board have been applied.

The Historical Financial Information has therefore been prepared on combined basis for the periods until 8 April 2020 and on a consolidated basis for the periods from 9 April 2020 to 31 October 2020.

The combined Historical Financial Information has been prepared on a basis that combines the results and assets and liabilities of each of the entities that constitutes the Group, derived from the accounting records of those entities, by applying the principles underlying the consolidation procedures of IFRS 10.

1.2 BASIS OF PREPARATION (Continued)

Earnings per share, as required by IAS 33 “Earnings per share” has only been disclosed for the year ended 30 April 2020 and for the six months ended 31 October 2020, given that the Historical Financial Information has not been prepared on a consolidated basis throughout the periods presented (as further explained in note 21).

The following summarises the key accounting and other principles applied in preparing the Historical Financial Information:

- The Group did not comprise a legal group of entities during the two years ended 30 April 2019 and period to 9 April 2020 and, therefore it is not meaningful to present share capital or an analysis of reserves. The excess of assets over liabilities of all combining entities in the Group as of 30 April 2018 and 30 April 2019 are representative of the cumulative investment of Horizon Holdco Limited in the Group, shown as “Invested Capital”.

- Historically, Horizon Group used a centralised approach to cash management and financing of its operations, and with several subsidiaries participating in a cash pooling arrangement with Horizon Group. None of Horizon Group’s cash and cash equivalents have been allocated to the Group in the combined balance sheets. Movements in related party balances associated with cash pooling and funding have been disclosed within cash flows from financing activities. Movements in related party balances from intercompany trading have been disclosed in cash flows from operating activities.

- The Group was historically recharged cost of goods sold, selling, general and administrative expenses from Horizon Group for certain shared services of £14,953,000, £19,211,000, £11,952,000, £6,688,000 and £4,103,000 for the years ended 30 April 2018, 30 April 2019, 30 April 2020 and six months ended 31 October 2019 and 31 October 2020 respectively. Historically, the centralised functions have included executive senior management, finance, shared services, information technology, tax, treasury and risk management, legal, compliance, human resources and payroll, procurement, share based payments for executives and corporate affairs. These expenses are not necessarily representative of the expenses that would have been reported had the Group been a standalone group for the periods presented, nor are they necessarily representative of the costs that may be incurred by the Group in the future. Actual costs that may have been incurred if the Group had been a standalone group would depend on a number of factors, including the chosen organisational structure, functions outsourced or performed by employees and strategic decisions made.

- Transactions and balances between the Group and the rest of Horizon Group represent third party transactions and balances from the perspective of the Group. They have been presented alongside all other third-party transactions and balances in the appropriate financial statement line items of the combined and consolidated historical financial information to which such transactions and balances relate and disclosed as related party transactions.

- The Group has historically been funded as part of the Horizon Group and the related party balances reported within assets and liabilities, as receivables (Note 11) and payables (Note 15) are not representative of the anticipated post-transaction financing position. None of these balances are considered to be capital in nature.

- The tax charges in the HFI have been determined based on the underlying tax position of the entities within the Group and the relevant consolidation adjustments. The tax charges recorded in the combined and consolidated statements of comprehensive income may have been affected by the taxation arrangements within Horizon Group, and are not necessarily representative of the tax charges and liabilities that may have been reported had the Group been a legal group for the periods presented nor are they necessarily representative of the tax charges of the Group that may arise in the future.

1.2 BASIS OF PREPARATION (Continued)

- Payments for group relief to the Horizon Group have been presented in the combined and consolidated statement of changes in equity. The Group entities obtained group relief (tax losses) from other entities within the Horizon Group to offset taxable profits in accordance with prevailing tax regulations; and paid the Horizon Group entities for the losses. The tax charge presented in the combined and consolidated income statement has been reduced by £2,718k, £3,133k and £5,115k for the years ended 30 April 2018, 2019 and 2020 and by £1,577k and £1,270k for the six months ended 30 October 2019 and 2020, respectively as a result of Group relief from other Horizon Group entities.

- Dividends per share has not been disclosed because this was paid prior to the incorporation of the Cards Holdco Limited entity.

- Merger reserve relates to the merger reserve arising from the Group re-organisation accounted for under common control merger reserve accounting

Going concern
This HFI of the Group has been prepared on a going concern basis. The going concern assessment considers whether it is appropriate to prepare the HFI on a going concern basis. The Directors have also considered the net current liability position at 31 October 2020 and the going concern status of the Group's material subsidiaries.

The Group has, at the date of approval of this Historical Financial Information, sufficient existing financing available for its estimated requirements for at least the next 12 months. The Directors have reviewed the liquidity forecasts for the Group, which incorporate the expected impact of the group restructuring and Senior Facilities Agreement which were finalised after the 31 October 2020. These new facilities replaced the related party funding the Group received through Horizon Group entities under their Existing Facilities. Prior to the entry into the Senior Facilities Agreement, Moonpig Group has been a guarantor of the Existing Facilities but not a borrower, meaning that the Group's historical financial statements record no third party/external debt, aside from the IFRS 16 liability. The historical borrowings in the period under review primarily relate to related party loans reflected as intra-group balances with the Horizon entities. This, together with the ability to generate cash from trading activities provides the Directors with the confidence that the Group is well placed to manage its business risks successfully in the context of current financial conditions and the general outlook in the global economy.

Critical accounting judgements

Capitalisation of internally generated assets
Certain costs incurred in the developmental phase of an internal project, which include the development of technology, app and platform enhancements, internal use software, internally generated software and trademarks, are capitalised as intangible assets if a number of criteria are met. The costs of internally developed assets include capitalised expenses of employees working full time on software development projects, third-party consultants, and software licence fees from third-party suppliers.

Management has made judgments and assumptions when assessing whether development meets these criteria, and on measuring the costs and the economic life attributed to such projects. The economic lives of intangible assets are estimated at between three and ten years for internal projects. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. Further details of the amounts of, and movements in, such assets are given in note 8.

Purchase price allocation of Venspro BV (Greetz Holdco)
Management has applied judgement in the purchase price allocation of the acquisition of Greetz. On acquisition, specific intangible assets are identified and recognised separately from goodwill and then amortised over their estimated useful lives. These include items such as trademarks and customer databases, to which value is first attributed at the time of acquisition. The capitalisation of these assets and the related amortisation charges are based on judgments about the value and economic life of such items.

The economic lives of intangible assets are estimated at between three and 12 years for acquired intangibles. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. Further details of the amounts of, and movements in, such assets are given in note 8.

1.2 BASIS OF PREPARATION (Continued)

Non-recurring items

Management applies judgement in assessing whether items are non-recurring by virtue of either their size or their nature. These items can include, but are not restricted to, the costs of significant restructuring exercises, fees associated with business combinations and costs incurred in integrating acquired companies. These are separately disclosed as memorandum information, and explained below (See subsection "q) Non-recurring Items") and in note 4.

1.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

New standards, amendments and interpretations

The Group has adopted all relevant amendments to existing standards and interpretations issued by the IASB that are effective from 1 May 2019 with no material impact on its combined and consolidated results or financial position (except as described below with regards to IFRS 16).

IFRS 16 Leases

IFRS 16 "Leases" is effective for the year ended 30 April 2020 and has a material impact on the combined and consolidated historical financial information. The Group has adopted IFRS 16 with effect from 1 May 2019 and uses the modified retrospective approach to transition utilising certain practical expedients outlined in the standard, notably the exclusion of low value and short-term leases (less than 12 months). Data has been collated on all the Group's leases for which IFRS 16 is applicable, and these are principally warehouses, offices, factory equipment and vehicles. See subsection "k) Leased Assets" below for more detail.

New standards, amendments and interpretations not yet adopted

There are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting years and on foreseeable future transactions.

The principal accounting policies are set out below. Policies have been applied consistently, other than where new policies have been applied.

a) **Foreign currency translation**

The functional currency of Cards Holdco Limited is sterling and this is also the presentation currency of the Group. The income and cash flow statements of the Group undertakings expressed in currencies other than sterling are translated to sterling using exchange rates applicable to the dates of the underlying transactions. Average rates of exchange in each year are used where the average rate approximates the relevant exchange rate at the date of the underlying transactions. Assets and liabilities of the Group undertakings are translated at the applicable rates of exchange at the end of each year.

The differences between retained profits translated at average and closing rates of exchange are taken to reserves, as are differences arising on the retranslation to sterling (using closing rates of exchange) of overseas net assets at the beginning of the year, and are presented as a separate component of equity. They are recognised in the income statement when the gain or loss on disposal of a Group undertaking is recognised.

Foreign currency transactions are initially recognised in the functional currency of each entity in the Group using the exchange rate ruling at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of foreign currency assets and liabilities at year-end rates of exchange are recognised in the income statement. Foreign exchange gains or losses recognised in the income statement are included in profit from operations or net finance costs depending on the underlying transactions that gave rise to these exchange differences.

1.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) **Revenue**

Under IFRS 15, the Group is required to assess whether it controls a good or service before it is transferred to the end customer to determine whether it is principal or agent in that transaction.

The Group is principally engaged in the sale of goods to customers. This represents a single performance obligation which is satisfied upon delivery of the relevant goods and the transfer of control to that customer. At which point, this performance obligation is satisfied. Revenue from the sale of goods, as well as the related shipping and handling expenses billed to customers, are recognised in line with the satisfaction of the performance obligation noted above. Revenue is shown net of local sales tax and is reduced for provisions of customer returns and re-makes based on the history of such matters. Revenue is not recognised if there is significant uncertainty regarding recovery of the consideration due.

The Group considers the cost of shipping its products to the customer to be directly associated with generating revenue and therefore presents these costs within cost of sales.

Where the Group acquires customers through a third party, the Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. Where the Group controls the goods before they are transferred to the customer, the Group is deemed to be acting as the principal.

The trading companies in the Group offer pre-paid accounts and/or pre-paid vouchers products. Customers have a maximum term after the purchase date of the voucher to consume these pre-paid products. Where amounts received or receivable from a customer exceed revenue recognised for a contract, a contract liability is recognised. Contract liabilities primarily reflect pre-paid amounts received in advance of revenue recognition. The contract liability is unwound as related performance obligations are satisfied. The balance on pre-paid accounts where there has been no activity for two years, is posted to income after expiration.

Part of the Group operates a loyalty scheme which grants the customer a free product once a fixed number of purchases are made for which credits are awarded. The Group allocates some of the proceeds of the initial sale to the award credits as a liability. The amount of proceeds allocated to the award credits is measured by reference to their fair value, that is, the amount for which the award credits could have been sold separately. The Group recognises the deferred portion of the proceeds as revenue only when it has fulfilled its obligations.

The Group operates a secondary income scheme with a third party provider where the Group earns revenue for successful customer referrals that utilise the third party service offering, where the enrolment by a Group customer with the third party service provider is the performance obligation.

The Group offers consumers the ability to purchase third party gift cards through the individual brand websites, where the Group operates as an agent earning a commission on the sale of these gift cards. Commissions are earned upon the activation of the gift card. The Group has no control over the goods or services that the customer purchases from the third party. The Group does not have any legal title over any of the goods or services that third party provides and there is no performance obligation for the Group to provide any goods or services that are purchased by the customer from the third party seller. The performance obligation is to arrange the sale of the gift card and facilitate activation once credit has been paid for.

It is the Group's policy to sell its products to the end customer with a right of return within 3-14 days. Therefore, a refund liability (included in trade and other payables) and a right to the returned goods (included in other current assets) are recognised for the products expected to be returned. Accumulated experience is used to estimate such returns at the time of sale at a portfolio level (expected value method). Because the number of products returned has been stable, it is highly probable that a significant reversal in the cumulative revenue recognised will not occur. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date.

1.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) **Taxation**

Taxation is chargeable on the profits for the period, together with deferred taxation.

The current income tax charge is calculated on the basis of tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group's subsidiaries operate and generate taxable income. For the six months to 31 October 2019 and 2020, the income tax charge has been derived using the Estimated Tax Rate (ETR) that is expected for corresponding full year.

Deferred taxation is provided in full using the liability method for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amount used for taxation purposes. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Deferred tax is determined using the tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or deferred tax liability is settled.

Deferred tax relating to items recognised outside of profit or loss is also recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax is recognised in the income statement except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case it is recognised in the statement of other comprehensive income or the statement of changes in equity.

d) **Business combinations**

The acquisition of third-party subsidiaries is accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred which is measured at the acquisition date. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 "Business Combinations" are recognised at their fair values at the acquisition date.

Acquisition-related items such as legal or professional fees are expensed to the income statement as incurred.

In these combined consolidated financial statements, the Group has applied the predecessor accounting approach in accordance with the rules on accounting for business combinations under common control in combined financial statements. This means that the assets and liabilities of the recently acquired and to be acquired businesses included in these combined consolidated financial statements correspond to the historical amounts in the individual financial statements of the combined entities (predecessor values). Businesses in accordance with IFRS 3 that were acquired or will be acquired or contributed to Cards Holdco Ltd are included in the combined consolidated financial statements for all periods presented adjusted so as to achieve uniformity of accounting policies. Accordingly, any consideration given or received in relation to those common control transactions is recognized directly in equity within merger reserve. Balances from intercompany transactions were eliminated.

1.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) **Goodwill**

Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition.

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill is not subject to amortisation but is tested for impairment annually or whenever there is evidence that it may be required. Any impairment of goodwill is recognised immediately in the income statement and is not subsequently reversed. Goodwill is denominated in the currency of the acquired entity and revalued to the closing exchange rate at each reporting period date.

Negative goodwill arising on an acquisition is recognised directly in the income statement.

Goodwill in respect of subsidiaries is included in intangible assets. On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

f) **Intangible assets other than goodwill**

i) Separately acquired intangible assets

Intangible assets acquired separately are measured on initial recognition at cost.

Intangible assets with a finite useful life that are acquired separately are carried at cost less accumulated amortisation and impairment losses. These intangible assets are amortised on a straight-line basis over their remaining useful lives, consistent with the pattern of economic benefits expected to be received, which do not exceed 12 years.

Intangible assets with an indefinite useful life that are acquired separately are carried at cost less accumulated impairment losses.

ii) Internally generated research and development costs

Research expenditure is charged to income in the year in which it is incurred. Development expenditure is charged to income in the year it is incurred, unless it meets the recognition criteria of IAS 38 Intangible Assets to be capitalised as an intangible asset.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and impairment losses. Amortisation begins when development is complete and the asset is available for use.

These assets are amortised on a straight-line basis over periods not exceeding 3 years.

The estimated useful lives are as follows:	**Useful lives**	**Straight-line amortisation period**
Trademark	Finite	10 years
Development costs	Finite	3 years
Technology	Finite	3 to 5 years
Software	Finite	3 to 5 years
Customer database	Finite	12 years
Non-compete agreements	Finite	2 to 3 years
Other intangibles	Finite	2 to 4 years

1.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) **Impairment of non-financial assets**

Assets are reviewed for impairment whenever events indicate that the carrying amount of a cash-generating unit may not be recoverable. In addition, assets that have indefinite useful lives are tested annually for impairment. An impairment loss is recognised to the extent that the carrying value exceeds the higher of the asset's fair value less costs to sell and its value-in-use.

A cash-generating unit is the smallest identifiable group of assets that generates cash flows which are largely independent of the cash flows from other assets or groups of assets. At the acquisition date, any goodwill acquired is allocated to the relevant cash-generating unit or group of cash-generating units expected to benefit from the acquisition for the purpose of impairment testing of goodwill.

h) **Impairment of financial assets held at amortised cost**

With effect from 1 May 2018, loss allowances for expected credit losses on financial assets which are held at amortised cost are recognised on initial recognition of the underlying asset. As permitted by IFRS 9 Financial Instruments, loss allowances on trade receivables arising from the recognition of revenue under IFRS 15 Revenue from Contracts with Customers are initially measured at an amount equal to lifetime expected losses. Allowances in respect of loans and other receivables are initially recognised at an amount equal to 12-month expected credit losses. Allowances are measured at an amount equal to the lifetime expected credit losses where the credit risk on the receivables increases significantly after initial recognition.

Prior to 1 May 2018, financial assets were reviewed for impairment at each balance sheet date, or whenever events indicated that the carrying amount might not be recoverable.

i) **Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment. Depreciation is calculated on a straight-line basis to write off the assets over their useful economic life. No depreciation is provided on freehold land. These assets are amortised on a straight-line basis over periods detailed below.

The estimated useful lives are as follows:	**Useful lives**	**Straight-line amortisation period**
Freehold property	Finite	3% - 4%
Plant & machinery	Finite	20% - 25%
Fixtures & fittings	Finite	20% - 25%
Leasehold property and improvements	Finite	Over the unexpired term of lease
Computer equipment	Finite	20% - 33%

1.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) **Leased assets**

Group as lessee

With effect from 1 May 2019, the Group has applied IFRS 16 Leases to contractual arrangements which are, or contain, leases of assets, and consequently recognises right-of-use assets and lease liabilities at the commencement of the leasing arrangement, with the assets included as part of property, plant and equipment in note 9 and the liabilities included as part of borrowings in note 14.

In adopting IFRS 16, the Group has applied the modified retrospective approach with no restatement of prior periods, as permitted by the Standard.

The Group has taken advantage of certain practical expedients available under the Standard, including

- Not applying the requirements of IFRS 16 to leases of intangible assets,
- Applying the portfolio approach where appropriate to do so, and;
- Not applying the recognition and measurement requirements of IFRS 16 to short-term leases (leases of less than 12 months maximum duration) and to leases of low-value assets.

Non-lease components have not been separated from lease components.

These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 May 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 May 2019 was 5.7%. The right of use assets were measured at the amount of lease liability (adjusted by the amount of any previously recognised prepaid or accrued lease payments relating to that lease).

Following adoption, lease liabilities are initially recognised at an amount equal to the present value of estimated contractual lease payments at the inception of the lease, after taking into account any options to extend the term of the lease to the extent they are reasonably certain to be exercised. Lease commitments are discounted to present value using the interest rate implicit in the lease if this can be readily determined, or the applicable incremental rate of borrowing, as appropriate. Right-of-use lease assets are initially recognised at an amount equal to the lease liability, adjusted for initial direct costs in relation to the assets, then depreciated over the shorter of the lease term and their estimated useful lives.

Prior to 1 May 2019, the Group applied IAS 17 Leases. Arrangements where the Group had substantially all the risks and rewards of ownership of the leased asset were classified as finance leases and were included as part of property, plant and equipment. Finance lease assets were initially recognised at an amount equal to the lower of their fair value and the present value of the minimum lease payments at the inception of the lease, then depreciated over the shorter of the lease term and their estimated useful lives. Lease payments due were shown as a liability within borrowings. Lease payments were shown within financing activities in the cash flow statement and consisted of capital and finance charge elements, with the finance element charged to the income statement. Under IAS 17, leases which were not classified as finance leases were classified as operating leases and such arrangements were not capitalised. Rental payments under operating leases were charged to operating profit on a straight-line basis over the lease term.

Group as lessor

The Group has entered into a lease agreement as a lessor with respect to one of its properties with a related party and is accounted for as an operating lease as the lease does not transfer substantially all the risks and rewards of ownership to the lessee.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

1.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) **Inventories**

Inventories include raw materials and finished goods, are stated at the lower of cost and net realisable value. Cost is based on the weighted average cost incurred in acquiring inventories and bringing them to their existing location and condition, which will include raw materials, direct labour and overheads, where appropriate.

l) **Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand, call deposits, cash held by payment service providers and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value, with a maturity of three months or less. All other cash and cash equivalents are measured at amortised cost.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above.

m) **Financial instruments**

The primary objective with regard to the management of cash and investments of the Group's business model for managing financial assets is to protect against the loss of principal. Additionally, the Group aims: to maximise Group liquidity by concentrating cash at the Horizon Group level; to align the maturity profile of external investments with that of the forecast liquidity profile; to wherever practicable, match the interest rate profile of external investments to that of debt maturities or fixings; and to optimise the investment yield within the Group's investment parameters.

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the relevant instrument and derecognised when it ceases to be a party. Such assets and liabilities are classified as current if they are expected to be realised or settled within 12 months after the balance sheet date. If not, they are classified as non-current. In addition, current liabilities include amounts where the entity does not have an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

With effect from 1 May 2018, the Group adopted IFRS 9 *Financial Instruments* with no revision of prior periods, as permitted by the Standard.

Non-derivative financial assets are classified on initial recognition in accordance with the Group's business model as investments, loans and receivables, or cash and cash equivalents and accounted for as follows:

- *Loans and other receivables*: These are non-derivative financial assets with fixed or determinable payments that are solely payments of principal and interest on the principal amount outstanding, that are primarily held in order to collect contractual cash flows. These balances include trade and other receivables and are measured at amortised cost, using the effective interest rate method, and stated net of allowances for credit losses.

- *Cash and cash equivalents*: Cash and cash equivalents include cash in hand and deposits held on call, together with other short-term highly liquid investments including investments in certain money market funds. Cash equivalents normally comprise instruments with maturities of three months or less at their date of acquisition. In the cash flow statement, cash and cash equivalents are shown net of bank overdrafts, which are included as current borrowings in the liabilities section on the balance sheet.

Non-derivative financial liabilities, including borrowings and trade payables, are stated at amortised cost using the effective interest method. For borrowings, their carrying value includes accrued interest payable.

1.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

n) **Segmental analysis**

The Group is organised and managed on the basis of its brands (Moonpig and Greetz). These are both the reportable and operating segments for the Group as they form the focus of the Group's internal reporting systems and are the basis used by the chief operating decision maker (CODM), identified as the CEO and CFO, for assessing performance and allocating resources. The prices agreed between Group companies for intra-group sales of materials, manufactured goods, services and fees, are based on normal commercial practices which would apply between independent businesses.

o) **Provisions**

Provisions are recognised when either a legal or constructive obligation as a result of a past event exists at the balance sheet date, it is probable that an outflow of economic resources will be required to settle the obligation and a reasonable estimate can be made of the amount of the obligation.

p) **Pensions and other post-employment benefits**

The Group contributes to defined contribution pensions schemes and payments to these are charged as an expense and accrued over time.

q) **Non-recurring Items**

Non-recurring items are significant items of income or expense in revenue, profit from operations, net finance costs, taxation which individually or, if of a similar type, in aggregate, are relevant to an understanding of the Group's underlying financial performance because of their size, nature or incidence. In identifying and quantifying non-recurring items, the Group consistently applies a policy that defines criteria that are required to be met for an item to be classified as adjusting. These items are separately disclosed in the segmental analyses or in the notes to the accounts as appropriate.

The Group believes that these items are useful to users of the Group Historical Financial Information in helping them to understand the underlying business performance and are used to derive the Group's principal non-GAAP measures of underlying EBITDA, which is before the impact of non-recurring items and which are reconciled from profit from operations.

r) **Equity**

The merger reserve relates to the merger reserve arising from the Group re-organisation accounted for under common control merger reserve accounting.

Invested capital represents the total equity of the Group.

Share premium represents £251,362,000 paid in excess of par value of the ordinary shares.

s) **Principles of consolidation**

Subsidiaries are all entities (including structured entities) over which the group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer section "d) Business combinations" above).

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2 SEGMENTAL ANALYSIS

The CODM, reviews external revenues and underlying EBITDA to evaluate segment performance and allocate resources to the overall business.

"Underlying EBITDA" is a non-GAAP measure. Adjustments are made to the statutory IFRS results to arrive at an underlying result which is in line with how the business is managed and measured on a day-to-day basis. Adjustments are made for items that are individually important in order to understand the financial performance. If included, these items could distort understanding of the performance for the year and the comparability between periods. Management applies judgement in determining which items should be excluded from underlying performance. See note 4 for details of these adjustments.

The two brands (Moonpig and Greetz) are the reportable segments for the Group, with Moonpig based in the UK and Greetz in Netherlands. They form the focus of the Group's internal reporting systems and are the basis used by the CODM for assessing performance and allocating resources.

The majority of the Group's revenue is derived from the retail of cards, gifts and flowers to the general public.

Finance income and expense are not allocated to the reportable segments, as this activity is managed centrally by the Horizon Group, together with the overall net debt position of the Group.

In common with many retailers, revenue and trading profit are subject to seasonal fluctuations and are weighted towards the second half of the year which includes the key peak periods for the business.

Segment analyses
The following table shows revenue by segment that reconciles to the consolidated revenue for the Group.

	Year ended 30 April			**Six month period ended 31 October**	
				Unaudited	
	2018	**2019**	**2020**	**2019**	**2020**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Moonpig	87,510	96,639	126,536	47,104	120,841
Greetz	-	23,502	46,583	19,198	35,057
Other*	347	-	-	-	-
External Revenue	**87,857**	**120,141**	**173,119**	**66,302**	**155,898**

*Other revenue includes revenue from Sticky9, an online gifting business that was discontinued and ceased trading in the year ended 30 April 2018.

The following table shows revenue by key geography that reconciles to the consolidated revenue for the Group.

	Year ended 30 April			**Six month period ended 31 October**	
				Unaudited	
	2018	**2019**	**2020**	**2019**	**2020**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
UK	84,814	93,452	123,106	45,605	118,605
Netherlands	-	23,125	45,944	19,031	35,057
Rest of the World*	3,043	3,564	4,069	1,666	2,236
External Revenue	**87,857**	**120,141**	**173,119**	**66,302**	**155,898**

*Rest of the World revenue includes USA, Australia & Belgium.

2 SEGMENTAL ANALYSIS (Continued)

Segment analyses continued
The following table shows the information regards assets by segment that reconciles to the consolidated Group.

	Year ended 30 April			**Six month period ended 31 October**
	2018 £'000	**2019 £'000**	**2020 £'000**	**2020 £'000**
Moonpig				
Non-current assets[1]	11,780	13,683	25,255	25,817
Capital expenditure	(4,091)	(1,610)	(739)	(268)
Intangibles expenditure	(3,117)	(4,118)	(6,420)	(3,758)
Depreciation & amortisation	(2,061)	(3,570)	(5,931)	(3,466)
Greetz				
Non-current assets[1]	-	30,568	29,444	29,413
Capital expenditure	-	(194)	(497)	(748)
Intangibles expenditure	-	-	-	(258)
Depreciation & amortisation	-	(2,466)	(4,463)	(2,251)
Group				
Non-current assets[1]	**11,780**	**44,251**	**54,699**	**55,230**
Capital expenditure	**(4,091)**	**(1,804)**	**(1,236)**	**(1,016)**
Intangibles expenditure	**(3,117)**	**(4,118)**	**(6,420)**	**(4,016)**
Depreciation & amortisation[2]	**(2,061)**	**(6,036)**	**(10,394)**	**(5,717)**

[1] Comprises goodwill, other intangible assets and property, plant and equipment (including Right-of-Use assets).
[2] See footnote (2) below.

The Group's measure of segment profit, underlying EBITDA, excludes depreciation, amortisation and non-recurring items.

	Year ended 30 April			**Six month period ended 31 October**	
				Unaudited	
	2018 £'000	**2019 £'000**	**2020 £'000**	**2019 £'000**	**2020 £'000**
Underlying EBITDA					
Moonpig	18,977	22,380	39,919	14,583	36,131
Greetz	-	361	4,484	463	5,082
Group Underlying EBITDA	**18,977**	**22,741**	**44,403**	**15,046**	**41,213**
Depreciation & amortisation					
Moonpig	2,060	3,034	5,405	2,632	3,466
Greetz[1]	-	2,466	4,463	2,285	2,251
Group depreciation & amortisation[2]	**2,060**	**5,500**	**9,868**	**4,917**	**5,717**

[1] Includes amortisation arising on Group consolidation on intangibles forming part of the Greetz CGU.
[2] Depreciation and amortisation as charged in the Combined and Consolidated Income Statement for April 2020 and April 2019 of £9,868,000 and £5,500,000 (respectively) is stated after recharges to other Horizon Group entities. Total depreciation and amortisation per the Combined and Consolidated Cashflow Statement for April 2020 and April 2019 is £10,394,000 and £6,036,000 (see preceding table and notes 8 and 9). Following the entering of a sublease over space at the Group's head office premises (with another Horizon Group entity as undertenant) effective 1 May 2020, these recharges have ceased.

2 SEGMENTAL ANALYSIS (Continued)

Segment analyses continued

The following table shows Underlying EBITDA that reconciles to the consolidated results of the Group.

		Year ended 30 April			Six month period ended 31 October	
					Unaudited	
	Note	**2018 £'000**	**2019 £'000**	**2020 £'000**	**2019 £'000**	**2020 £'000**
Underlying EBITDA		**18,977**	**22,741**	**44,403**	**15,046**	**41,213**
Depreciation and amortisation		(2,060)	(5,500)	(9,868)	(4,917)	(5,717)
Non-recurring items	*4*	(1,409)	(3,270)	(1,427)	(388)	(1,773)
Group Operating profit / (loss)		**15,508**	**13,971**	**33,108**	**9,741**	**33,723**
Finance income	*5*	399	847	942	826	356
Finance expense	*5*	-	(898)	(2,275)	(1,189)	(1,089)
Profit/(loss) before taxation		**15,907**	**13,920**	**31,775**	**9,378**	**32,990**
Taxation (charge)	*7*	(50)	(325)	(1,077)	(580)	(5,150)
Profit for the year		**15,857**	**13,595**	**30,698**	**8,798**	**27,840**

3 OPERATING PROFIT

Nature of expenses charged/(credited) to operating profit from continuing operations:

	Year ended 30 April			Six month period ended 31 October	
				Unaudited	
	2018 £'000	**2019 £'000**	**2020 £'000**	**2019 £'000**	**2020 £'000**
Depreciation and amounts written off property, plant and equipment:					
- owned assets*	752	1,199	1,384	731	925
- leased assets	-	-	2,123	1,066	1,067
Amortisation of intangible fixed assets*	1,308	4,301	6,361	3,120	3,725
Foreign exchange loss/(gain)	62	56	35	55	(91)
Gain on disposal of property, plant and equipment and intangible assets	-	-	(4)	-	-
Expense relating to short-term leases (included in cost of goods sold and administrative expenses)	-	64	163	64	14
Auditors' remuneration:					
Total expense for audit services pursuant to legislation:					
- fees to Auditors for the Group audit	-	-	-	-	-
- fees to Auditors firms and associates for local statutory and Group reporting audits	58	108	170	-	-
Total audit fees expense	**58**	**108**	**170**	**-**	**-**
Fees to PwC LLP firms and associates for other services:					
- Audit related assurance services	-	-	-	-	-
- Tax advisory services	-	4	18	11	14
- Tax compliance	13	15	14	10	1
- Other assurance services**	-	-	-	-	900
- Other non-audit services***	-	5	18	3	259
	13	**24**	**50**	**24**	**1,174**

*Depreciation and amortisation as charged in the income statement after recharges to other Horizon Group entities.
**Other assurance services includes admission related transaction costs
***Other non-audit services for the period to October 2020 relate to services provided in connection with the securing of external financing.

The total auditors' remuneration to PwC firms and associates included above are £1,174,000 (2020: £220,000; 2019: £132,000; 2018: £71,000).

4 NON-RECURRING ITEMS

	Year ended 30 April			Six month period ended 31 October	
				Unaudited	
	2018	**2019**	**2020**	**2019**	**2020**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
M&A activity-related items					
Recognition and remeasurement of pension indemnity	-	-	2,303	-	(1,537)
Other M&A activity-related items	-	(1,582)	-	-	-
Other items					
Office relocation costs	(452)	(197)	-	-	-
Brand transformation	(484)	-	-	-	-
IT infrastructure cloud migration	-	(978)	-	-	-
Restructuring costs	(383)	(513)	(903)	(373)	-
Pension provision	-	-	(2,800)	-	2,086
Admission related transaction costs	-	-	-	-	(2,322)
Other	(90)	-	(27)	(15)	-
Total adjustments made to operating profit	**(1,409)**	**(3,270)**	**(1,427)**	(388)	**(1,773)**

Non-recurring items

Other M&A activity-related items relate to completed transaction costs and include advisory, legal, accounting, valuation and other professional or consulting services as well as acquisition-related remuneration and directly attributable integration costs associated with the acquisition of Greetz.

Office relocation costs relate to costs incurred during the move to the Group's new headquarters and the cost of dual running two headquarters for part of the year.

Restructuring costs in 2018 relate to costs arising from the restructure of parts of the senior leadership team. Restructuring costs in 2019 and 2020 relate to the reorganisation of the Group's operating model. This is one programme that has bridged two financial years therefore the Group has continued to present these costs as non-recurring.

IT infrastructure costs relate to the migration of physical servers to the Cloud. This included the project management and dual running costs during the transition.

Brand transformation costs in 2018 relate to a work performed to modify the Moonpig brand. This included a new logo, font and colour scheme.

Pension provision costs relate to a potential exposure in the Netherlands requiring one of the Group's subsidiaries (Greetz B.V.) to bear a liability for historical contributions to an industry pension scheme. £2,800,000 of such costs were recognised as non-recurring in the year ended 30 April 2020. When the business was acquired, the Sale and Purchase Agreement included indemnification for costs associated with pensions capped at €3,000,000 and so an indemnification asset was recognised up to this cap in the year ended 30 April 2020, partially offsetting the provision charge. In December 2020, Greetz and the Retail Pension Fund entered into a settlement and agreed that the Retail Pension Fund will exempt Greetz from any past and future obligation to participate in the Retail Pension Fund in relation to the claim. This represents an adjusting subsequent event and so £2,086,000 of the provision was released in the period ended 31 October 2020. The indemnification asset was correspondingly reduced by £1,537,000. Only charges related to periods before Greetz was acquired by the Group has been treated as non-recurring.

Admission related transaction costs relate to securing the Senior Facility Agreement and various admission related activities, including professional fees associated with corporate reorganisation.

Cash paid in relation to non-recurring items in the year of £930,000 (2019: £3,270,000, 2018: £1,409,000) relates to M&A activity-related items and restructuring costs.

5 FINANCE INCOME AND COSTS

	Year ended 30 April			Six month period ended 31 October	
				Unaudited	
	2018	**2019**	**2020**	**2019**	**2020**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Bank interest receivable	-	3	6	-	-
Interest receivable from other Horizon Group entities	399	844	936	826	356
Total finance income	**399**	**847**	**942**	**826**	**356**

	Year ended 30 April			Six month period ended 31 October	
				Unaudited	
	2018	**2019**	**2020**	**2019**	**2020**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Interest payable on leases (see note 14)	-	-	880	455	397
Bank interest payable	-	12	21	13	19
Interest payable to other Horizon Group entities	-	886	1,374	721	673
Total finance costs	**-**	**898**	**2,275**	**1,189**	**1,089**
Net finance income / (costs)	**399**	**(51)**	**(1,333)**	**(363)**	**(733)**

6 EMPLOYEE BENEFIT COSTS

	Year ended 30 April			Six month period ended 31 October	
				Unaudited	
	2018	**2019**	**2020**	**2019**	**2020**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Wages and salaries	10,194	13,836	17,357	8,847	10,499
Social security costs	1,084	2,058	3,044	1,340	1,676
Other pension costs*	174	481	4,258	335	(2,410)
Total Employee Benefit costs	**11,452**	**16,375**	**24,659**	**10,522**	**9,765**

*Includes provision for potential pension liabilities. See Note 4 and 16 for details.

The Group's employees are members of defined contribution pension schemes with obligations recognised as an operating cost in the income statement as incurred.

The Group pays contributions into separate funds on behalf of the employee and has no further obligations to employees. The risks associated with this type of plan are assumed by the member. Contributions paid by the Group in respect of the current period are included within the combined and consolidated income statement.

6 EMPLOYEE BENEFIT COSTS (Continued)

	Year ended 30 April			**Six month period ended 31 October**	
				Unaudited	
	2018	**2019**	**2020**	**2019**	**2020**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Directors' emoluments					
Aggregate emoluments in respect of qualifying services*	205	123	1,288	495	779
Pension costs	3	3	21	10	11
Health care costs	1	1	2	1	3
	209	**127**	**1,311**	**506**	**793**
The number of directors to whom retirement benefits are accruing under money purchase pension schemes was:	2	2	3	3	3

*Prior to 1 September 2020, Directors' emoluments comprised recharges from Horizon Bidco Limited (which is not part of the Group). These will not be representative of future Directors costs.

	Year ended 30 April			**Six month period ended 31 October**	
				Unaudited	
	2018	**2019**	**2020**	**2019**	**2020**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
The amounts in respect of the highest paid director are as follows:					
Aggregate emoluments in respect of qualifying services	127	83	926	349	564
Pension costs	2	2	14	7	7
Health care costs	-	-	1	-	2
	129	**85**	**941**	**356**	**573**

7 TAXATION

(a) Tax on gain on ordinary activities

	Year ended 30 April			Six months ended 31 October	
				Unaudited	
	2018	**2019**	**2020**	**2019**	**2020**
	£’000	**£’000**	**£’000**	**£’000**	**£’000**
The tax charge is made up as follows:					
Current tax:					
UK corporation tax on profit for the year	-	-	1,017	320	4,825
Foreign tax charge	214	212	5	4	161
Adjustment in respect of prior years	-	-	(132)	-	-
Total current tax	214	212	890	324	4,986
Deferred tax:					
Origination and reversal of temporary differences	(179)	113	(298)	(211)	164
Impact of changes in tax law and rates	15	-	485	467	-
Total deferred tax	(164)	113	187	256	164
Total tax charge for year	**50**	**325**	**1,077**	**580**	**5,150**
The tax charge in the income statement is disclosed as follows:					
Tax charge on continuing operations	50	325	1,077	580	5,150
Total tax charge for year	**50**	**325**	**1,077**	**580**	**5,150**

(b) The tax assessed for the year differs from the standard UK rate of corporation tax applicable of 19.00% (2019: 19.00%). The differences are explained below:

	Year ended 30 April			Six months ended 31 October	
				Unaudited	
	2018	**2019**	**2020**	**2019**	**2020**
	£’000	**£’000**	**£’000**	**£’000**	**£’000**
Profit before taxation	15,907	13,920	31,775	9,378	32,990
Profit on ordinary activities multiplied by the UK tax rate	3,022	2,645	6,037	1,782	6,268
Effects of:					
Expenses not deductible for tax purposes	29	697	177	73	167
Non-taxable income	(480)	(401)	(274)	(99)	(300)
Group relief from other Horizon Group entities	(2,718)	(3,133)	(5,115)	(1,577)	(1,270)
Effect of higher tax rates in overseas territories	215	186	45	(66)	105
Tax under / (over) provided in previous years	(33)	349	(271)	-	-
Change in UK deferred tax rate	15	-	18	-	-
Change in overseas deferred tax rate	-	-	467	467	-
Other permanent differences	-	(18)	(7)	-	180
Total tax charge for year	**50**	**325**	**1,077**	**580**	**5,150**

Taxation for other jurisdictions is calculated at the rates prevailing in each jurisdiction.

7 TAXATION (Continued)

(c) Deferred tax

	Combined and consolidated statement of financial position				31 October 2020 Amounts to be settled	
	30 April			31 October	Within 12 months	More than 12 months
	2018	2019	2020	2020		
Deferred tax relates to following:	£'000	£'000	£'000	£'000	£'000	£'000
Decelerated/(Accelerated) capital allowances	57	(297)	(388)	(439)	-	(439)
Amortisation of intangible assets	-	(4,036)	(3,741)	(3,704)	(525)	(3,179)
Tax losses carried forward	-	1,657	1,233	981	981	-
Other timing differences	6	10	29	29	-	29
Net deferred tax liability	**63**	**(2,666)**	**(2,867)**	**(3,133)**	**456**	**(3,589)**

	Combined and consolidated statement of profit and loss				
	Year ended 30 April			Six months ended 31 October	
	2018	2019	2020	*Unaudited* 2019	2020
Deferred tax relates to following:	£'000	£'000	£'000	£'000	£'000
Decelerated/(Accelerated) capital allowances	(158)	360	90	55	50
Amortisation of intangible assets	-	(360)	(295)	(206)	(192)
Tax losses carried forward	-	(9)	409	411	306
Other timing differences	(6)	122	(17)	(4)	-
Deferred tax (expense) / benefit	**(164)**	**113**	**187**	**256**	**164**

The Finance Act 2015 reduces the UK corporation tax rate to 19% with effect from 1 April 2018. The Finance Act 2017 received Royal Assent on 15 September 2017 and, this reduces the UK corporation tax rate to 17% with effect from 1 April 2020. However, this change in rate was revoked by Finance Act 2020, and the 19% rate remained in place from 1 April 2020. Deferred tax has been measured using the rates substantively enacted at 30 April 2020, taking account of when the temporary difference is expected to reverse.

The Group is also subject to Dutch Corporate Income Tax (CIT) at a rate of 25%. In November 2019, it was announced that the main rate of Dutch CIT was to reduce to 21.7% from 2021. However, in September 2020 the planned reduction of the CIT to 21.7% was cancelled due to the COVID 19 pandemic, and it was announced that CIT would remain at 25%. Deferred tax has been measured using the rates substantively enacted at the reporting dates, taking account of when the temporary difference is expected to reverse.

7 TAXATION (Continued)

(d) Reconciliation of deferred tax

	Amortisation of intangible assets	Other	Total
Deferred tax liabilities	**£'000s**	**£'000s**	**£'000s**
At 1 May 2017	-	(101)	(101)
Credited/(charged) to the income statement	-	164	164
At 30 April 2018	**-**	**63**	**63**
Credited/(charged) to the income statement	360	(360)	-
Acquisition	(4,540)	-	(4,540)
Other	144	-	144
At 30 April 2019	**(4,036)**	**(297)**	**(4,333)**
Credited/(charged) to the income statement	295	(90)	205
Other	-	(2)	(2)
At 30 April 2020	**(3,741)**	**(389)**	**(4,130)**
Credited/(charged) to the income statement	192	(50)	142
Other	(155)	-	(155)
At 31 October 2020	**(3,704)**	**(439)**	**(4,143)**

	Tax losses carried forward	Other	Total
Deferred tax assets	**£'000s**	**£'000s**	**£'000s**
At 1 May 2017	-	-	-
Credited/(charged) to the income statement	-	-	-
At 30 April 2018	-	-	-
Credited/(charged) to the income statement	9	(122)	(113)
Acquisition	1,648	-	1,648
R&D tax asset	-	132	132
At 30 April 2019	**1,657**	**10**	**1667**
Credited/(charged) to the income statement	(409)	17	(392)
Other	(15)	2	(13)
At 30 April 2020	**1,233**	**29**	**1,262**
Credited/(charged) to the income statement	(306)	-	(306)
Other	54	-	54
At 31 October 2020	**981**	**29**	**1,010**

8 INTANGIBLE ASSETS

	Goodwill	Trademark	Technology and capitalised development costs	Customer database	Software	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost							
1 May 2017	3,771	205	5,156	260	1,001	-	**10,393**
Additions	-	-	2,847	-	270	-	**3,117**
Disposals	(3,771)	(205)	(2,400)	(260)	(647)	-	**(7,283)**
30 April 2018	-	-	5,603	-	624	-	**6,227**
Accumulated amortisation and impairment							
1 May 2017	3,771	205	3,282	260	769	-	**8,287**
Charge for the year	-	-	1,168	-	142	-	**1,310**
Disposals	(3,771)	(205)	(2,399)	(260)	(647)	-	**(7,282)**
30 April 2018	-	-	2,051	-	264	-	**2,315**
Net book value 30 April 2018	**-**	**-**	**3,552**	**-**	**360**	**-**	**3,912**
Cost							
1 May 2018	-	-	5,603	-	624	-	**6,227**
Acquisitions	6,636	8,933	127	15,672	48	1,617	**33,033**
Additions	-	-	4,104	-	14	-	**4,118**
Foreign exchange	(225)	(303)	-	(549)	(10)	(56)	**(1,143)**
30 April 2019	6,411	8,630	9,834	15,123	676	1,561	**42,235**
Accumulated amortisation and impairment							
1 May 2018	-	-	2,051	-	264	-	**2,315**
Charge for the year	-	575	2,057	1,050	155	520	**4,357**
Foreign exchange	-	-	-	(24)	(7)	-	**(31)**
30 April 2019	-	575	4,108	1,026	412	520	**6,641**
Net book value 30 April 2019	**6,411**	**8,055**	**5,726**	**14,097**	**264**	**1,041**	**35,594**
Cost							
1 May 2019	6,411	8,630	9,834	15,123	676	1,561	**42,235**
Additions	-	-	6,260	-	160	-	**6,420**
Disposals	-	-	(1,168)	-	(285)	-	**(1,453)**
Foreign exchange	48	69	1	118	2	12	**250**
30 April 2020	6,459	8,699	14,927	15,241	553	1,573	**47,452**
Accumulated amortisation and impairment							
1 May 2019	-	575	4,108	1,026	412	520	**6,641**
Charge for the year	-	876	3,054	1,587	110	793	**6,420**
Disposals	-	-	(1,168)	-	(285)	-	**(1,453)**
Foreign exchange	-	(2)	-	(4)	1	(2)	**(7)**
30 April 2020	-	1,449	5,994	2,609	238	1,311	**11,601**
Net book value 30 April 2020	**6,459**	**7,250**	**8,933**	**12,632**	**315**	**262**	**35,851**

8 INTANGIBLE ASSETS (Continued)

	Goodwill	Trademark	Technology and capitalised development costs	Customer database	Software	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost							
1 May 2020	6,459	8,699	14,927	15,241	553	1,573	47,452
Additions	-	105	3,790	-	121	-	4,016
Foreign exchange	246	331	7	599	10	60	1,253
31 October 2020	**6,705**	**9,135**	**18,724**	**15,840**	**684**	**1,633**	**52,721**
Accumulated amortisation and impairment							
1 May 2020	-	1,449	5,994	2,609	238	1,311	11,601
Charge for the year	-	455	2,124	820	55	274	3,728
Foreign exchange	-	53	5	116	9	48	231
31 October 2020	**-**	**1,957**	**8,123**	**3,545**	**302**	**1,633**	**15,560**
Net book value 31 October 2020	**6,705**	**7,178**	**10,601**	**12,295**	**382**	**-**	**37,161**

(a) Goodwill

Goodwill of £6,459,000 (2019: £6,411,000) is included in intangible assets in the balance sheet relate to the acquisition of Greetz in 2019, recognised within the Greetz CGU.

(b) Trademarks with finite lives

Included in the net book value of trademarks are trademarks relating to the acquisition of Greetz with finite lives amounting to £8,933,000 on acquisition. The remaining UEL at 31 October 2020 on the trademark is 7 years 10 months.

(c) Technology and capitalised development costs

Included in Technology and capitalised development costs are internally developed assets with a carrying value of £10,601,000 (30 April 2020: £8,933,000, 2019: £5,726,000, 2018: £3,552,000). The costs of internally developed assets include capitalised expenses of employees working full time on software development projects, third-party consultants, and software licence fees from third-party suppliers.

(d) Customer database

Customer database relates to the valuation of existing customer relationships held by Greetz on acquisition. The net book value included above is £12,295,000 (30 April 2020: £12,632,000; 30 April 2019: £14,097,000; 30 April 2018: £nil). The remaining UEL at 31 October 2020 on the customer database is 9 years 10 months.

(e) Software

Software intangible assets include accounting and marketing software purchased by the Group.

(f) Other

Other intangible assets primarily include non-compete agreements, and information content for products and software that have been valued and separately recognised.

8 INTANGIBLE ASSETS (Continued)

(g) Annual Impairment Tests

Goodwill

The recoverable amount of a CGU or group of CGUs is determined as the higher of its fair value less costs of disposal and its value in use. In determining value in use, estimated future cash flows are discounted to their present value. The Group performs its annual test for impairment as at 31 January. At 31 October 2020, there were no indicators of impairment identified therefore no impairment test has been conducted. The cash flow projections used in determining value in use of each cash generating unit ('CGU') are based on the annual budget and the approved Group plan for the three years following the current financial year, with an extension of a further two years. Beyond the three-year Group plan period and additional two-year period these projections are extrapolated using an estimated long-term growth rate.

The key assumptions for the recoverable amounts are the average medium-term revenue growth rates and long-term growth rates, which directly impact the cash flows, and the discount rates used in the calculation. The average medium-term revenue growth rates included below, have been calculated for disclosure purposes only and are expressed as the compound annual growth rates in the initial five years for all cash-generating units of the plans used for impairment testing. The long-term growth rate is used purely for the impairment testing of goodwill under IAS 36 Impairment of Assets and does not reflect long-term planning assumptions used by the Group for investment proposals or for any other assessments.

Value in use assumptions

The table below shows key assumptions used in the value in use calculations.

Moonpig CGU	**30 April 2018**	**30 April 2019**	**30 April 2020**
Approximate pre-tax discount rate	19.2%	15.1%	17.4%
Average medium-term revenue growth rate	9.4%	10.1%	13.7%
Long-term growth rate	2.0%	2.0%	2.0%

Greetz CGU	**30 April 2019**	**30 April 2020**
Approximate pre-tax discount rate	19.6%	17.4%
Average medium -term revenue growth rate	23.8%	13.7%
Long-term growth rate	2.0%	2.0%

Discount rate

The Group uses a CGU specific discount rate based on a local Weighted Average Cost of Capital ("WACC") for each CGU, applying local government bond yields and tax rates to each CGU on a geographical basis. The discount rate applied to a CGU represents an approximate pre-tax rate that reflects the market assessment of the time value of money as at 31 January 2020 and the risks specific to the CGU.

Sensitivity analysis

A sensitivity analysis was performed for each of the significant CGUs or group of CGUs and management concluded that no reasonably possible change in any of the key assumptions would result in the carrying value of the CGU or group of CGUs to exceed its recoverable amount.

Other finite lived intangible assets

At each reporting period date, the Group reviews the carrying amounts of other finite lived intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent, if any, of the impairment loss. 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.

9 PROPERTY, PLANT AND EQUIPMENT

	Freehold property	Plant and machinery	Fixtures and fittings	Leasehold improvements	Computer equipment	Assets under construction	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Cost							
1 May 2017	3,988	2,620	195	548	2,257	-	9,608
Additions	-	644	57	-	122	4,084	4,907
Disposals	-	(348)	(134)	(164)	(1,266)	-	(1,912)
30 April 2018	**3,988**	**2,916**	**118**	**384**	**1,113**	**4,084**	**12,603**
Accumulated depreciation and impairment							
1 May 2017	1,304	2,207	171	523	1,691	-	5,896
Charge for the year	155	248	16	20	312	-	751
Disposals	-	(348)	(134)	(164)	(1,266)	-	**(1,912)**
30 April 2018	**1,459**	**2,107**	**53**	**379**	**737**	**-**	**4,735**
Net book value							
30 April 2018	**2,529**	**809**	**65**	**5**	**376**	**4,084**	**7,868**
Cost							
1 May 2018	3,988	2,916	118	384	1,113	4,084	**12,603**
Acquisitions	-	1,143	38	304	875	-	**2,360**
Additions	-	715	614	88	387	-	**1,804**
Transfers	11	-	250	3,580	243	(4,084)	-
Foreign exchange	-	(41)	(1)	(19)	(32)	-	**(93)**
30 April 2019	**3,999**	**4,733**	**1,019**	**4,337**	**2,586**	**-**	**16,674**
Accumulated depreciation and impairment							
1 May 2018	1,459	2,107	53	379	737	-	**4,735**
Acquisitions	-	763	28	297	574	-	**1,662**
Charge for the year	156	458	212	413	440	-	**1,679**
Foreign exchange	-	(27)	-	(11)	(21)	-	**(59)**
30 April 2019	**1,615**	**3,301**	**293**	**1,078**	**1,730**	**-**	**8,017**
Net book value							
30 April 2019	**2,384**	**1,432**	**726**	**3,259**	**856**	**-**	**8,657**

9 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Freehold property	Plant and machinery	Fixtures and fittings	Leasehold improvements	Computer equipment	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost							
30 April 2019	**3,999**	**4,733**	**1,019**	**4,337**	**2,586**	**-**	**16,674**
Accounting policy change*	-	1,205	-	11,680	-	-	12,885
1 May 2019	**3,999**	**5,938**	**1,019**	**16,017**	**2,586**	**-**	**29,559**
Additions - separately acquired	-	884	(9)	93	268	-	1,236
Additions – Right-of-Use	-	20	-	175	-	-	195
Disposals	-	(243)	(40)	(288)	(737)	-	(1,308)
Foreign exchange	-	12	-	8	6	-	26
30 April 2020	**3,999**	**6,611**	**970**	**16,005**	**2,123**	**-**	**29,708**
Accumulated depreciation and impairment							
1 May 2019	1,615	3,301	293	1,078	1,730	-	8,017
Charge for the year	157	554	236	484	420	-	1,851
Charge for the year – Right-of-Use	-	382	-	1,741	-	-	2,123
Disposals	-	(74)	(40)	(288)	(736)	-	(1,138)
Foreign exchange	-	4	-	-	3	-	7
30 April 2020	**1,772**	**4,167**	**489**	**3,015**	**1,417**	**-**	**10,860**
Net book value							
30 April 2020	**2,227**	**2,444**	**481**	**12,990**	**706**	**-**	**18,848**

*Relates to the IFRS 16 transition adjustment (note 24)

9 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Freehold property	Plant and machinery	Fixtures and fittings	Leasehold improvements	Computer equipment	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost							
1 May 2020	3,999	6,611	970	16,005	2,123	-	**29,708**
Additions– separately acquired	-	758	53	3	202	-	**1,016**
Additions – Right-of-Use	-	-	-	90	-	-	**90**
Disposals	-	(7)	(1)	-	(43)	-	**(51)**
Foreign exchange	-	97	1	82	40	-	**220**
31 October 2020	**3,999**	**7,459**	**1,023**	**16,180**	**2,322**	**-**	**30,983**
Accumulated depreciation and impairment							
1 May 2020	1,772	4,167	489	3,015	1,417	-	**10,860**
Charge for the year	80	297	118	228	199	-	**922**
Charge for the year – Right-of-Use	-	160	-	907	-	-	**1,067**
Disposals	-	(7)	(1)	-	(43)	-	**(51)**
Foreign exchange	-	47	1	40	28	-	**116**
31 October 2020	**1,852**	**4,664**	**607**	**4,190**	**1,601**	**-**	**12,914**
Net book value							
31 October 2020	**2,147**	**2,795**	**416**	**11,990**	**721**	**-**	**18,069**

10 INVENTORIES

	30 April			31 October
	2018	2019	2020	2020
	£'000	£'000	£'000	£'000
Raw materials and consumables	660	1,868	2,089	2,526
Finished goods	976	841	953	3,847
Total inventory	**1,636**	**2,709**	**3,042**	**6,373**
Less: Provision for write off of:				
- raw materials and consumables	-	-	(92)	(177)
- finished goods	-	-	(53)	(6)
Net inventory	**1,636**	**2,709**	**2,897**	**6,190**

The cost of inventories recognised as an expense and included in cost of sales during the period amounted to £22,294,000 (30 April: 2020: £32,054,000, 2019: £22,956,000, 2018: £13,027,000).

11 TRADE AND OTHER RECEIVABLES

		30 April		31 October
	2018	**2019**	**2020**	**2020**
	£'000	**£'000**	**£'000**	**£'000**
Current:				
Trade receivables	606	614	320	297
Related party trade receivables from other Horizon Group entities	329	820	463	340
Less: loss allowance	-	(66)	(109)	(46)
Trade receivables – net	935	1,368	674	591
Other receivables	512	595	978	252
Prepayments	406	651	1,692	1,867
Loan receivables from other Horizon Group entities	5,046	24,732	34,819	43,421
	6,899	**27,346**	**38,163**	**46,131**

Loan receivables from related parties relate to the cash pooling arrangement with Horizon Group. Loans are repayable on demand and interest is accrued at market rates. Expected credit loss has been assessed in line with the Group's policy and was not material and no expected credit loss on the loan receivables from other Horizon Group entities has been recognised.

Other current receivables include rebates that relate to various suppliers and certain deposits.

		30 April		31 October
	2018	**2019**	**2020**	**2020**
	£'000	**£'000**	**£'000**	**£'000**
Non-current:				
Other receivables	**-**	**166**	**200**	**208**

Other non-current receivables relate to security deposits in connection with leased property. The majority of receivables are held in order to collect contractual cash flows, in accordance with the Group's business model for managing financial assets, and hence are measured at amortised cost.

The movements in the allowance account are as follows:

		30 April		31 October
	2018	**2019**	**2020**	**2020**
	£'000	**£'000**	**£'000**	**£'000**
At 1 May / 1 November	-	-	66	109
Acquired	-	48	-	-
Charge for the year	-	23	68	-
Utilised	-	(6)	(1)	-
Released	-	-	(24)	(68)
Foreign exchange	-	1	-	5
At 30 April / 31 October	**-**	**66**	**109**	**46**

As permitted by IFRS 9, the Group applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics such as aging of the debt and the credit risk of the customers. A historical credit loss rate is then calculated and then adjusted to reflect expectations about future credit losses. A customer balance is written off when it is considered that there is no reasonable expectation that the amount will be collected and legal enforcement activities have ceased.

Prior to the adoption of IFRS 9 on 1 May 2018, loans and receivables were stated net of allowances for estimated irrecoverable amounts due to the identification of a loss event (the incurred loss method).

11 TRADE AND OTHER RECEIVABLES (Continued)

The Group's credit risk on trade and other receivables is primarily attributable to trade receivables. There are no significant concentrations of credit risk since the risk is spread over a large number of unrelated counterparties.

The Group's businesses implement policies, procedures and controls to manage customer credit risk. Outstanding balances are regularly monitored and reviewed to identify any change in risk profile.

The Group considers its credit risk to be very low with Group revenues derived from electronic payment processes (including credit card, debit card, PayPal, iDeal and SEPA) executed over the internet, with the vast majority of receipts reaching the bank accounts in 1 to 2 days.

At 31 October 2020, the Group had net trade receivables of £591,000 (2020: £674,000; 2019: £1,368,000; 2018: £935,000). Trade receivables are reviewed regularly for any risk of impairment and provisions are booked where necessary. At 31 October 2020, the Group had nil (2020: nil; 2019: nil; 2018: nil) customers that owed the group more than £250,000.

The maximum exposure to credit risk is the trade receivable balance at the year end. The Group has assessed its exposure below:

Trade receivables aging

	30 April 2018 £'000	30 April 2019 £'000	30 April 2020 £'000	31 October 2020 £'000
Up to 30 days	606	427	193	129
Past due but not impaired:				
30 to 90 days	329	744	524	463
More than 90 days	-	263	66	45
Gross	935	1,434	783	637
Less: allowable for impairment	-	(66)	(109)	(46)
Net Trade Receivables	**935**	**1,368**	**674**	**591**

Trade and other receivables are predominantly denominated in the functional currencies of subsidiary undertakings.

There is no material difference between the above amounts for trade and other receivables (including loan receivables) and their fair value due to the short-term duration of the majority of trade and other receivables.

12 CASH AND CASH EQUIVALENTS

		30 April		31 October
	2018	2019	2020	2020
	£'000	£'000	£'000	£'000
Cash and bank balances	1,194	750	8,960	4,594
Cash equivalents	841	1,396	3,119	2,702
Total Cash and Cash equivalents	**2,035**	**2,146**	**12,079**	**7,296**

The carrying value of cash and cash equivalents approximates their fair value. Cash equivalents relate to cash in transit from various payment processing intermediaries that provide receipting services to the Group.

Cash and cash equivalents are denominated in the functional currency of the subsidiary undertaking or other currencies as shown below:

		30 April		31 October
	2018	2019	2020	2020
	£'000	£'000	£'000	£'000
Functional currency	2,035	1,184	2,986	1,819
Euro	-	962	9,093	5,477
	2,035	**2,146**	**12,079**	**7,296**

13 CAPITAL AND RESERVES

The Group considers its capital to comprise its invested capital, ordinary share capital, share premium, merger reserve, retained earnings and foreign exchange translation reserve. Quantitative detail is shown in the combined and consolidated statement of changes in equity.

The directors' objective when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for the shareholder and benefits for other stakeholders.

Invested capital
Invested capital represents the total equity of the Group.

Ordinary share capital
Ordinary share capital represents three ordinary shares with par value of £1.

Share premium
Share premium represents £251,362,000 paid in excess of par value of the ordinary shares.

Merger reserve
Merger reserve brought forward relates to the merger reserve arising from the Group reorganisation accounted for under common control merger reserve accounting.

Translation reserve
The translation reserve represents the accumulated exchange differences arising since the acquisition of Greetz from the impact of the translation of subsidiaries with a functional currency other than sterling.

14 BORROWINGS

The Group's sources of borrowing for funding and liquidity purposes come from a range of committed facilities with Horizon Group entities. Liabilities arising from the Group's lease arrangements are also reported in borrowings.

		30 April		**31 October**
	2018	**2019**	**2020**	**2020**
	£'000	**£'000**	**£'000**	**£'000**
Current				
Lease liabilities	-	-	2,224	2,331
Related party loan payables to other Horizon Group entities	-	25,096	26,722	25,548
Non-current				
Lease liabilities	-	-	11,482	10,341
Shareholder loan notes	-	146	-	-
Total borrowings	**-**	**25,242**	**40,428**	**38,220**

Current borrowings of related party loans from other Horizon Group entities, per the balance sheet, include interest payable £2,933,000 (€3,316,000) at 31 October 2020, (£2,260,000 (€2,574,000) at 30 April 2020, £886,000 (€1,022,000) at 30 April 2019, £Nil at 30 April 2018).

The fair value of the Group's financial assets and financial liabilities held at amortised cost approximate their fair value due to the short-term duration of the current loan payables.

Shareholder loan notes totalling £155,000 (€169,000) were repaid in August 2019.

14 BORROWINGS (Continued)

Borrowings are repayable as follows:
Per the balance sheet

	30 April 2018 £'000	30 April 2019 £'000	30 April 2020 £'000	31 October 2020 £'000
Within one year*	-	25,096	26,722	25,548
Within one and two years	-	146	-	-
Within two and three years	-	-	-	-
Within three and four years	-	-	-	-
Within four and five years	-	-	-	-
Beyond five years	-	-	-	-
Total borrowings	**-**	**25,242**	**26,722**	**25,548**

*This includes related party loans from other Horizon Group entities which are repayable on demand. Interest is accrued based on market rates pegged to the rates of Horizon Group's external borrowings. There is no material difference between the above amounts for related party loans and their fair value due to the short-term duration.

Lease liabilities are repayable as follows:

	30 April 2018 £'000	30 April 2019 £'000	30 April 2020 £'000	31 October 2020 £'000
Within one year	-	-	2,974	3,013
Within one and two years	-	-	2,793	2,495
Within two and three years	-	-	2,225	2,024
Within three and four years	-	-	1,928	1,926
Within four and five years	-	-	1,926	1,926
Beyond five years	-	-	4,653	3,691
	-	**-**	**16,499**	**15,075**
Effect of discounting	-	-	(2,793)	(2,403)
Total lease liability	**-**	**-**	**13,706**	**12,672**

The Group defines net debt* as follows:

	30 April 2018 £'000	30 April 2019 £'000	30 April 2020 £'000	31 October 2020 £'000
Borrowings	-	25,242	26,722	25,548
Lease liabilities	-	-	13,706	12,672
Cash and cash equivalents	(2,035)	(2,146)	(12,079)	(7,296)
Group net debt	**(2,035)**	**23,096**	**28,349**	**30,924**

*Non-GAAP reporting definition only.

14 BORROWINGS (Continued)

The movements in net debt are presented below along with a reconciliation to the financing activities in the Group Cash Flow Statement:

	Borrowings	Lease liabilities	Cash and cash equivalents	Total
	£'000	£'000	£'000	£'000
Opening balance	-	-	**(3,755)**	**(3,755)**
Cash Flow	-	-	1,720	1,720
Foreign Exchange	-	-	-	-
Fair value and other	-	-	-	-
30 April 2018	-	-	**(2,035)**	**(2,035)**
Cash Flow	24,367	-	(206)	24,161
Foreign exchange	(11)	-	95	84
Interest[1]	886	-	-	886
30 April 2019	**25,242**	-	**(2,146)**	**23,096**
Accounting policy change	-	15,128	-	15,128
Cash Flow	(67)	(2,501)	(10,001)	(12,569)
Foreign Exchange	173	4	68	245
Interest and other[2]	1,374	1,075	-	2,449
30 April 2020	**26,722**	**13,706**	**(12,079)**	**28,349**
Cash Flow[3]	(2,859)	(1,506)	5,128	763
Foreign Exchange	1,012	75	(345)	742
Interest and other	673	397	-	1,070
30 October 2020	**25,548**	**12,672**	**(7,296)**	**30,924**

[1]Other movements in borrowings in 2019 and 2020 comprise of Interest.
[2]Other movements in lease liabilities in April 2020 comprise additions of £195,000 and Interest of £880,000, October 2020 Interest of £397,000.
[3]Total cash outflows related to leases for October 2020 amounted to £1,506,000 (April 2020: £2,501,000; October 2019: £1,109,000). Please refer to note 3 for expense relating to short-term leases recognise in the Combined and Consolidated Income Statement.

15 TRADE AND OTHER PAYABLES

	30 April			31 October
	2018	2019	2020	2020
	£'000	£'000	£'000	£'000
Current				
Trade payables	4,148	7,022	7,609	6,181
Other payables	-	790	1,737	1,551
Other taxation and social security	983	1,538	6,017	1,844
Accruals	4,375	6,456	13,792	17,262
Trade payables to other Horizon Group entities	310	2,675	5,812	3,731
	9,816	**18,481**	**34,967**	**30,569**
Non-current				
Other payables	**686**	**6,254**	**-**	**-**

Current other payables consist of amounts relating to the following:

- The amount at 30 April 2019 relates to estimated costs for rates for one of the Group's offices (£675,000) and amounts to be settled with one of the Group's shipping providers (£115,000).
- The amount at 31 October 2020 relates to the deferred consideration payable in relation to the Greetz acquisition £1,528,000 (April 2020: £1,737,000).

Other payables greater than 1 year consist of amounts relating to the follow:

- The amount at 30 April 2018 relates to rent free period accrual for one of the Group's offices (£686,000).
- The amount at 30 April 2019 relates to rent free period accrual for one of the Group's offices (£2,259,000) and deferred consideration payable in relation to the Greetz acquisition during the period (£3,995,000).

15 TRADE AND OTHER PAYABLES (Continued)

Movement in Trade payables to other Horizon Group entities in April 2020 includes a non-cash settlement from dividends declared of £25,527,000, prior to the incorporation of the Cards Holdco Limited entity.

Trade and other payables are predominantly denominated in the functional currencies of subsidiary undertakings.

There is no material difference between the above amounts for trade and other payables and their fair value due to the short-term duration of the majority of trade and other payables.

Contractual maturity profile

For 30 April 2018, 2019, 2020 and 31 October 2020, current payables have a contractual maturity of less than 12 months.

For 30 April 2018, 2019, 2020 and 31 October 2020, non-current payables have a contractual maturity of between 1 to 2 years.

16 PROVISIONS FOR OTHER LIABILITIES AND CHARGES

	Restructuring provision	Dilapidations provision	Pension provisions	Other provisions	Total
	£'000	£'000	£'000	£'000	£'000
At 1 May 2017	-	422	-	-	**422**
Charge for the year	-	816	-	350	**1,166**
Release of provision in the year	-	(334)	-	-	**(334)**
At 30 April 2018	**-**	**904**	**-**	**350**	**1,254**
Charge for the year	-	-	-	319	**319**
Utilisation	-	(88)	-	(401)	**(489)**
At 30 April 2019	**-**	**816**	**-**	**268**	**1,084**
Charge for the year	928	-	3,327	105	**4,360**
Utilisation	(928)	-	-	(110)	**(1,038)**
Release of provision in the year	-	-	-	(263)	**(263)**
Foreign exchange	-	-	(24)	-	**(24)**
At 30 April 2020	**-**	**816**	**3,303**	**-**	**4,119**
Charge for the year	-	91	261	-	352
Release of provision in the year	-	-	(2,800)	-	(2,800)
Foreign exchange	-	(1)	140	-	139
At 31 October 2020	**-**	**906**	**904**	**-**	**1,810**

Restructuring provision costs relates to items discussed in note 4. Other provisions related to various litigation matters.

17 CONTRACT LIABILITIES

In all material respects current deferred income at 1 May 2018 and 1 May 2019 was recognised as revenue during the respective years. Other than business-as-usual movements there were no significant changes in contract liability balances during the year.

18 FINANCIAL RISK MANAGEMENT

The Group manages its financial risks in line with the classification of its financial assets and liabilities in the Group's balance sheet and related notes. The management of specific risks is dealt with as follows:

	30 April 2018 £'000	30 April 2019 £'000	30 April 2020 £'000	31 October 2020 £'000
Financial assets				
Financial assets at amortised cost:				
Trade and other receivables*	6,493	26,695	36,471	44,264
Cash	2,035	2,146	12,079	7,296
	8,528	**28,841**	**48,550**	**51,560**
Financial liabilities				
Financial liabilities at amortised cost:				
Trade and other payables	8,833	16,943	28,950	28,725
Interest-bearing loans and borrowings:				
Obligations under leases	-	-	13,706	12,672
Related party borrowings	-	25,096	26,722	25,548
Shareholder loan notes	-	146	-	-
	8,833	**42,185**	**69,378**	**66,945**

**excluding prepayments*

There is no difference between the fair value and carrying values of the financial assets and liabilities.

Management of financial risks

Capital risk
The Group's objectives when managing capital (defined as net debt plus equity) are to safeguard our ability to continue as a going concern in order to provide returns to shareholders and benefits for other stakeholders, while optimising returns to shareholders through an appropriate balance of debt and equity funding. The Group manages its capital structure and makes adjustments to it with respect to changes in economic conditions and our strategic objectives.

Liquidity risk
The Group manages its exposure to liquidity risk by reviewing cash resources required to meet business objectives through both short and long-term cash flow forecasts. The Group has committed facilities which are available to be drawn for general corporate purposes including working capital (Refer to note 25 "*Subsequent Events*"). The Group finance function has responsibility for optimising the level of cash across the business.

Borrowings from related parties are repayable on demand however the Horizon Group has confirmed that it does not intend to recall the loans.

Credit risk
The Group's credit risk primarily arises from trade and other receivables. The Group has a very low operational credit risk due to the transactions being principally of a high volume, low value and short maturity. The Group has no significant concentration of operational credit risk.

The credit risk on liquid funds held with HSBC and Rabobank is considered to be low. The long-term credit rating for HSBC is A1/A+ per Moody's/Standard & Poor's. The long-term credit rating for Rabobank is Aa3/A+ per Moody's/Standard & Poor's.

Further information on the credit risk management procedures applied to trade receivables is given in note 11 and to cash and cash equivalents in note 12. The carrying amounts of trade receivables and cash and cash equivalents shown in those notes represent the Group's maximum exposure to credit risk.

18 FINANCIAL RISK MANAGEMENT (Continued)

Interest rate risk
Interest rate risk the risk that the Group is impacted from fluctuations in interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's borrowings from other Horizon Group entities.

The Group regularly reviews forecast debt, cash and cash equivalents and interest rates to monitor this risk. Interest rates on debt and deposits are fixed when management decides this is appropriate.

Foreign currency risk
The Group's exposure to the risk of changes in foreign currency relates primarily to its operating activities. Operating companies generally only trade in their own currency. The Group is therefore not subject to any significant foreign exchange transactional exposure within these subsidiaries.

The Group transacts mainly in Sterling and Euros. The Group generates sufficient cashflows in each respective currencies to services it's operating costs therefore it does not see foreign currency risk as a significant risk.

The Group's principal exposure to foreign currency lies in the translation of overseas profits into sterling; this exposure is not hedged. Other currency exposures comprise those currency gains and losses recognised in the income statement, reflecting other monetary assets and liabilities that are not denominated in the functional currency of the entity involved. At 31 October 2020 and 30 April 2020, these exposures were not material to the Group.

Fair value estimation
The fair values of financial assets and liabilities, are assumed to approximate their book values.

Market risk sensitivity analysis
The sensitivity analysis assumes reasonable movements in foreign exchange before the effect of tax. The Group considers a reasonable movement in sterling/Euro exchange rates of 10%, reflecting changes of reasonable proportion in the context of movement in those currency pairs over the last year.

This is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management assessment of the reasonably possible change in foreign exchange rates.

The following table shows the illustrative effect on equity resulting from changes in Sterling/Euro exchange rates:

	Impact on profit or loss before tax				
	Year ended 30 April			**Six months ended 31 October**	
				Unaudited	
	2018	**2019**	**2020**	**2019**	**2020**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
+ 10% strengthening of Euro	-	(259)	467	(155)	9
- 10% weakening of Euro	-	317	(467)	190	(64)

19 BUSINESS COMBINATIONS, DISPOSALS AND OTHER CHANGES IN THE GROUP

Acquisition of Venspro B.V

On 30 August 2018, Horizon Bidco B.V, a member of the Group, acquired 100% of the share capital of Venspro B.V and its subsidiaries ("Greetz"), a Dutch greeting card and personalised gift e-commerce retailer.

Assets acquired and liabilities assumed

	Note	**Fair value recognised on acquisition £'000**
Cash consideration		25,064
Deferred consideration		4,136
Total consideration		**29,200**
Assets		
Intangible assets	*8*	26,397
Tangible fixed assets	*9*	950
Cash and cash equivalents		840
Trade and other receivables		387
Inventories		1,076
Other assets		139
Liabilities		
Trade and other payables		(3,993)
Current income tax payable		(398)
Deferred tax liabilities		(2,834)
Net identifiable assets acquired		**22,564**
Goodwill		6,636
Total		**29,200**

Goodwill has been allocated to the Greetz CGU. The goodwill on acquisition of the business represents the value derived from future incremental profitability over and above that which existed at the time of the acquisition, including synergies and cost savings through economies of scale. None of the goodwill recognised is deductible for income tax purposes.

From the date of acquisition to 30 April 2019, the Venspro B.V group contributed £23,502,000 of revenue and loss before tax of £617,000 to the Group. If the acquisition had occurred on 1 May 2018, it is estimated that the acquisition would have contributed £34,625,000 of revenue and a loss before tax of £1,101,000 to the Group.

Deferred consideration has been recognised based on the Sale and Purchase Agreement discounted back to its present value (note 15).

The Sale and Purchase Agreement included indemnification for costs associated with pensions capped at €3,000,000. As detailed in note 16, the Group provided for a potential obligation to contribute to the Retail Pension Fund, an industry pension funds in the Netherlands, during the year ended 30 April 2020. This was partially offset by the recognition of the indemnification asset for further details refer to note 4. At the time of the acquisition the exposure was sufficiently remote such that no provision has been reflected in the acquired net assets disclosed above.

Transaction costs of £1,883,942 were expensed in the period to 30 April 2019 as non-recurring items (note 4). For further details refer to note 4.

20 COMMITMENTS AND CONTINGENCIES

a) Contingencies

Group companies, have given a guarantee in respect of the bank borrowings of the Horizon Group which amounted to £271,509,000 as at 31 October 2020 (30 April 2020: £263,568,000, 2019: £262,004,000, 2018: £244,110,000).

b) Operating lease commitments

The Group leased various premises and machinery under non-cancellable operating leases. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at 30 April			As at 31 October
	2018	**2019**	**2020**	**2020**
	£'000	**£'000**	**£'000**	**£'000**
No later than 1 year	21	2,440	-	-
Later than 1 year and no later than 5 years	8,971	9,310	-	-
Later than 5 years	6,935	6,579	-	-
	15,927	**18,329**	**-**	**-**

From 1 May 2019, the group has recognised right-of-use assets and liabilities for these leases.

21 EARNINGS PER SHARE

The following table reflects the income and share data used in the basic and diluted EPS calculations:

	As at 30 April 2020 £'000	**As at 31 October 2020 £'000**
Profit for the year	30,698	27,840
Weighted average number of ordinary shares for basic EPS	3	3
Basic EPS	10,233	9,280

As the Group was not a legal group until 9 April 2020 there are no ordinary shares entitled to a share of income in earlier periods. The Group had no potential dilutive shares and so basic EPS equal to diluted EPS.

22 GROUP EMPLOYEES

The average monthly number of employees (including directors) during the year by segment was made up as follows:

	Year ended 30 April			**Six month period ended 31 October**	
				Unaudited	
	2018	**2019**	**2020**	**2019**	**2020**
	Number	**Number**	**Number**	**Number**	**Number**
Moonpig	196	189	220	210	245
Greetz	120	145	165	163	155
Other	-	-	-	-	3
	316	**334**	**385**	**373**	**403**
Directors (included above)	2	2	3	3	3

23 RELATED PARTY TRANSACTIONS

Transactions with related parties

The Group has transacted with other Horizon Group entities which is presented below.

	Year ended 30 April			6 month period ended 31 October	
				Unaudited	
	2018	2019	2020	2019	2020
	£'000	£'000	£'000	£'000	£'000
Revenues from other related parties[1]	3,669	5,449	3,242	2,349	1,171
Revenues from parent entities	5	19	-	-	-
Costs incurred from other related parties	13,590	17,620	10,794	6,239	3,573
Costs incurred from parent entities	1,363	1,591	1,158	449	530
Interest receivable from parent entities	399	844	936	826	356
Interest payable to parent entities	-	(886)	(1,374)	(721)	(673)

[1]This includes £738,000 of related party income recognised within Other Income.

At the balance sheet date, the Group had the following balances with other Horizon Group entities:

	As at 30 April			As at 31 October
	2018	2019	2020	2020
	£'000	£'000	£'000	£'000
Trade receivables from other related parties	329	669	463	314
Trade receivables from parent entities	-	151	-	26
Other receivables from parent entities	5,046	24,732	34,819	43,421
Trade payables with other related parties	(310)	(1,389)	(3,776)	(1,562)
Trade payables with parent entities	-	(1,286)	(2,036)	(2,169)
Borrowings with parent entities	-	(25,096)	(26,722)	(25,548)

Amounts due to group undertakings are unsecured, have no fixed date or repayment and are repayable on demand. Interest is accrued on related party loans and borrowings based on market rates pegged to the rates of Horizon Group's external borrowings which range from 4.75% to 8.00%. There is no expected credit loss provision recognised in relation to the above receivables as the probability of default and any corresponding expected credit loss are immaterial to the Group.

Compensation of Key Management personnel of the Moonpig Group

	Year ended 30 April			Six month period ended 31 October	
				Unaudited	
	2018	2019	2020	2019	2020
	£'000	£'000	£'000	£'000	£'000
Short-term employee benefits*	205	123	1,288	495	779
Post-employment pension and medical benefits	4	4	23	11	14
Total compensation relating to Key Management personnel	**209**	**127**	**1,311**	**506**	**793**

* Prior to 1 September 2020, Directors' emoluments comprised recharges from Horizon Bidco Limited (which is not part of the Group). These will not be representative of future Directors costs.

The amounts disclosed in the table are the amounts recognised as an expense during the reporting year related to Key Management personnel. Key Management are deemed to be members of the Group with the authority and responsibility for planning, directing and controlling the activities of the Group. This includes the Chief Executive Officer, the Chief Financial Officer and any other director.

24 ACCOUNTING POLICY CHANGES

Adoption of new accounting standards effective 1 May 2019

Adoption of IFRS 16
With effect from 1 May 2019, the Group adopted IFRS 16 Leases via the modified-retrospective method with no revision of prior periods, as permitted by the Standard. In accordance with IFRS 16, the distinction between operating leases and finance leases has been removed.

The group has taken advantage of certain practical expedients available under the Standard including:
- ‘grandfathering’ previously recognised lease arrangements;
- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- utilising previous assessments as to whether a lease is onerous prior to applying the Standard;
- applying hindsight in determining the lease term if the contract contains options to extend or terminate the lease; and
- not applying the capitalisation requirements of the Standard to leases for which the lease term ends within 12 months of the date of initial application.

After implementation, the group has adopted several practical expedients under the Standard including:
- not applying the requirements of IFRS 16 to leases of intangible assets;
- applying the portfolio approach where appropriate to do so;
- not applying the recognition and measurement requirements of IFRS 16 to short-term leases and to leases of low-value assets; and
- not separating non-lease components from lease components.

The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on 1 May 2019 was 5.7%.

Measurement of lease liabilities

	£’000
Operating lease commitments disclosed as at 30 April 2019	18,657
Discounted using the lessee’s incremental borrowing rate of at the date of initial application	15,192
(Less): short-term leases not recognised as a liability (expensed)	(64)
Lease liability recognised as at 1 May 2019	**15,128**
Of which:	
Current lease liabilities	1,594
Non-current lease liabilities	13,534

(iii) Measurement of right-of-use assets
Right of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 1 May 2019.

24 ACCOUNTING POLICY CHANGES (Continued)

Adoption of IFRS 16 (Continued)
(iv) Adjustments recognised in the balance sheet on 1 May 2019
The change in accounting policy affected the following items in the balance sheet on 1 May 2019:

£'000	IFRS 16 right-of-use assets and lease liabilities £'000	Derecognise IAS 17 rent accruals and prepayments £'000	Total Impact £'000
Non-current assets			
Property, plant and equipment	12,885	-	**12,885**
Current assets			
Prepayments	-	(14)	**(14)**
Current liabilities			
Trade and other payables	-	2,257	**2,257**
Lease liabilities due within 1 year	(1,594)	-	**(1,594)**
Non-current liabilities			
Lease Liabilities due after 1 year	(13,534)	-	**(13,534)**
Net assets	**(2,243)**	**2,243**	**-**
Total Equity	**(2,243)**	**2,243**	**-**

Adoption of new accounting standards effective 1 May 2018

Adoption of IFRS 9
With effect from 1 May 2018, the Group has adopted IFRS 9 *Financial Instruments* via the modified-retrospective method with no restatement of prior periods, as permitted by the Standard.

The cumulative impact of adopting the Standard was not material therefore no adjustment was recognised on adoption. A simplified 'lifetime expected loss model' is available for balances arising as a result of revenue recognition, by applying a standard rate of provision on initial recognition of trade debtors based upon the Group's historical experience of credit loss modified by expectations of the future, and increasing this provision to take account of overdue receivables.

Adoption of IFRS 15
With effect from 1 May 2018, the Group has adopted IFRS 15 *Revenue from Contracts with Customers* via the modified-retrospective method with no restatement of prior periods, as permitted by the Standard.

IFRS 15 requires companies to apportion revenue from customer contracts to separate performance obligations and recognise revenue as these performance obligations are satisfied. The vast majority of the Group's revenue is generated from the delivery of goods to customers representing a single performance obligation which is satisfied upon delivery of the relevant goods. Accordingly the cumulative impact of adopting the Standard was not material therefore no adjustment was recognised on adoption .

25 SUBSEQUENT EVENTS

Horizon Group reorganisation
On 8 January 2021, the Horizon Group Separation was completed where Cards Holdco Limited and its subsidiaries separated from Horizon Holdco Limited.

This separation was carried out through a series of reorganisation steps, including the insertion of holding companies above Cards Holdco Limited, share for share exchanges and a solvency statement capital reduction pursuant to s.642 of the Companies Act 2006 in one of the new holding companies.

The Horizon Group Separation resulted in the settlement of the Group's related party balances with the other Horizon Group entities. At the date of the transaction the total settlement was £25,500,000 of balances due to and £46,600,000 of balances due from related parties. The corresponding balances at 31st October 2020 were £25,500,000 and £40,100,000 respectively.

On 7 January 2021, one of the new holding companies of the Group entered into the Senior Facilities Agreement and drew down in full the Senior Facilities of £175,000,000. On 8 January 2021, Facility B was utilised in full and £0 was outstanding under the RCF, with fees of approximately £7,000,000 capitalised on the balance sheet. See further details below. The amount of £168,000,000 drawn net of fees was remitted to the Horizon Group in order to repay the existing external facilities. Further steps in the reorganisation, above the Group result in no receivable due from the Horizon Group.

New Moonpig Group Debt Facility
On 7 January 2021, one of the new holding companies of the Group signed a Senior Facilities Agreement comprising of a sterling (GBP) Term Loan of £175,000,000 and a multicurrency revolving credit facility (RCF) in an initial aggregate amount equal to £20,000,000, provided by a syndicate of banks. The Term Loan facility for Cards Holdco Limited has a term of 60 months and was paid to Horizon DebtCo Limited and used to refinance or otherwise discharge existing debt within the Horizon Group.

The RCF shall be used to finance general corporate expenditure and other working capital requirements, has a term of 60 months and expires in January 2026. The RCF remains undrawn.

The loan under the Senior Facilities Agreement bears, interest at a floating rate which is a base reference rate applicable plus a margin, payable on the last day of each month.

The debt facility is subject to an EBITDA to Net Debt covenant of 4.50x until and including the year ended 30 April 2022, 4.0x until and including the year ended 30 April 2023 and 3.5x thereafter, tested quarterly, with EBITDA and Net Debt as defined in the Senior Facilities Agreement.

Legacy incentive plans
Subsequent to 31 October, share and cash based incentives have been awarded in relation to legacy Horizon Group compensation agreements for certain employees, senior management and Directors. In connection with the Horizon Group Separation, such shares have converted into separate awards for shares in Moonpig Group plc and other Horizon Group entities. It is anticipated that there will be a non-cash charge to the income statement for the year ended 30 April 2021 of approximately £26,000,000.

Other commitments
Subsequent to 31 October, the Group entered a financial commitment for flower related expenditure of £1,038,000 which is due within 1 year.

26 RELATED UNDERTAKINGS

A full list of all of the Group's subsidiaries is detailed below.

No subsidiaries are excluded from the Group consolidation. Unless otherwise stated the Company's subsidiaries all have share capital consisting solely of ordinary shares and are indirectly held. The percentage held by Group companies reflect both the proportion of nominal capital and voting rights unless otherwise stated.

A subsidiary is an entity controlled by the Company. Control is achieved where the Company has existing rights that give it the current ability to direct the activities that affect the Company's returns and exposure or rights to variable returns from the entity. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Name of Company	**Proportion of voting rights and shares directly held**				**% Equity interest**			
		30 April		**31 October**		**30 April**		**31 October**
	2018	**2019**	**2020**	**2020**	**2018**	**2019**	**2020**	**2020**
Subsidiaries:								
UK								
Herbal House, 10 Back Hill, London, EC1R 5EN								
Moonpig.com Limited	100%	100%	100%	100%	-	-	-	-
Netherlands								
Laarderhoogtweg 20, 1101 EA, Amsterdam , Noord-Holland								
Horizon Bidco B.V	100%	100%	100%	100%	-	-	-	-
Venspro B.V	-	-	-	-	100%	100%	100%	100%
Greetz GmbH	-	-	-	-	100%	100%	100%	100%
Greetz Holding B.V *	-	-	-	-	100%	100%	100%	-
Kartenhuis Internet Services B.V *	-	-	-	-	100%	100%	100%	-
Greetz Licencing B.V *	-	-	-	-	100%	100%	100%	-
Greetz B.V	-	-	-	-	100%	100%	100%	100%
Greetz Base B.V	-	-	-	-	100%	100%	100%	100%
Full Colour B.V	-	-	-	-	100%	100%	100%	100%

*On 30 October 2020, an internal restructuring of the Greetz Group was completed through the following statutory mergers in accordance with section 2:309 of the Dutch Civil Code whereby:

1. Greetz B.V acquired, under universal title of succession, the assets and liabilities of Kartenhuis Internet Services B.V and Greetz Licencing B.V. (the Disappearing Companies)
2. Venspro B.V acquired, under universal title of succession, the assets and liabilities of Greetz Holding B.V. (the Disappearing Company)

As a result the Disappearing Companies ceased to exist and are no longer registered at the Dutch Companies House.