moonpig group plc

27 July 2021

MOONPIG GROUP PLC
RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 30 APRIL 2021

Strong maiden results and clear progress executing against the strategy outlined at IPO

Summary financial results

£m	Year to 30 April 2021	Year to 30 April 2020	YoY	YoY %
Group revenue	368.2	173.1	195.1	113%
Adjusted EBITDA[1]	92.1	44.4	47.7	107%
Adjusted EBITDA margin[1]	*25.0%*	*25.6%*	*(0.6%pts)*	*n/a*
Reported profit before tax	32.9	31.8	1.1	3%
Adjusted profit before tax[1]	74.6	33.2	41.4	125%
Basic earnings per share (pence)	6.1p	n/a	n/a	n/a
Net debt	115.1	28.3	86.8	307%

[1] Before adjusting items of £41.7m in FY21 and £1.4m in FY20. See definition of Alternative Performance Measures below.

Results Summary

- Revenue and Adjusted EBITDA each more than doubled during a transformational year.
- Revenue growth of +113% to £368.2m, reflecting strong new customer acquisition and higher purchase frequency.
- Adjusted EBITDA growth of +107% to £92.1m, ahead of expectations at the IPO and at the top end of guidance provided in February 2021.
- Highly cash generative with operating cash flow of £97.2m (FY20: £51.0m) and adjusted operating cash conversion of 106% (FY20: 115%).

Strategic & Operational Highlights

The technology and data platform continues to drive our underlying growth flywheel:

- Completed the three-year rebuild of Moonpig's proprietary technology and data platform.
- Expanded the Group's database to over 190 million cumulative transactions and over 50 million reminders set as at 30 April 2021.
- Grew the app to 37% of Moonpig's orders for FY21, with the app number 1 for iOS and Android on multiple occasions.
- Delivered innovations such as augmented reality, e-cards, Group Cards and Sunday delivery.

Significant progress on further enhancing our leading customer proposition:

- Added a further 10,000 unique card designs to our Global Design Platform, growing the total to 27,000 at period close.
- Added over 70 leading consumer gifting brands, including LEGO® and Cath Kidston.
- Launched a new creative platform for both the Moonpig and Greetz brands.
- Extended already market-leading cut-off times to 10pm in the Netherlands and 9pm in the UK for same day dispatch.
- Delivered 50.9 million orders, helping our customers to stay connected with their loved ones during lockdown.

Outlook

- The Group is well positioned for sustained underlying growth as it continues to deliver against the strategy outlined at IPO.
- The new financial year has started moderately ahead of expectations, consistent with the slower lifting of lockdown restrictions in the UK and the Netherlands.
- As restrictions have eased, we have seen customer purchase frequency start to normalise from elevated levels, and we expect this to continue until frequency is approximately 5% ahead of pre-Covid-19 levels, in line with previous expectations.
- Retention of customers acquired during the past year is consistent with historical cohorts, and consequently there will be an enduring uplift in the scale of the business.
- We now expect Group revenue in FY22 to be approximately £250m to £260m, implying growth of approximately 45% to 50% compared to FY20.
- As previously stated, this represents a year-on-year decrease in headline revenue, reflecting normalisation of purchase frequency and a headwind from the large cohort of new customers following historical second year spending patterns.
- In line with our approach during the second half of FY21, we will continue to prioritise additional investments in marketing and market share capture over short-term maximisation of profit margin rate.

- In the medium-term, we continue to target annual revenue growth in the mid-teens and an Adjusted EBITDA margin of approximately 24% to 25%.

Nickyl Raithatha, CEO, commented:

"The past year was a milestone year for Moonpig Group as we accelerated the delivery of our strategy to become the ultimate gifting companion, doubled both revenue and Adjusted EBITDA, dispatched over 50 million customer orders and floated on the London Stock Exchange.

We have completed a three-year technology and data re-platforming project, which allows us to leverage our unique gifting dataset in new ways by personalising the customer experience and accelerating the pace at which we deploy innovation. The scale of our proprietary data, with over 50 million reminders set, is a growing source of competitive advantage. Our customer proposition continues to improve, with enhancements to our card and gifting ranges, and more delivery options than ever before.

In the past year we have delivered an enduring transformation and step-change in the scale of our business. The long-term growth opportunity remains vast, with the majority of the card and gifting market still offline, and we have never been in a better position to capture this growth. I want to personally thank the whole Moonpig Group team for their hard work and for making this all possible in such fast moving and challenging circumstances."

Investor and analyst meeting

The full year results presentation will be available on the Investor Relations section of Moonpig Group's corporate website (www.moonpig.group/investors) shortly after 7:00am on 27 July 2021. Nickyl Raithatha (CEO) and Andy MacKinnon (CFO) will host a Q&A for analysts and investors via webcast at 8:30am. Please note the presentation will not be repeated during the webcast. Anyone wishing to join the Q&A should register via the following link:

https://www.lsegissuerservices.com/spark/MoonpigGroup/events/dd217909-1690-4fc2-94cf-0194a2f6e7a4

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About Moonpig:
Moonpig Group plc (the "Group") is a leading online greeting card and gifting platform, comprising the Moonpig brand in the UK and the Greetz brand in the Netherlands. In both markets, the Group is the clear online market leader in cards.

The Group's leading customer proposition includes an extensive range of cards, a curated range of gifts, personalisation features and next day delivery offering.

The Group offers its products through its proprietary technology platforms and apps, which utilise unique data science capabilities designed by the Group to optimise and personalise the customer experience and provide scalability. Learn more at https://www.moonpig.group/

Business review

In the two decades since Moonpig was founded, our business has never been more relevant to customers. In the past year, we have seen a surge in people wanting to connect in more meaningful ways with their family and friends.

Our strategy is to become the ultimate gifting companion, helping customers to connect with people they care about and create moments that matter. We have made real strides towards this since I took over the leadership three years ago, transforming Moonpig Group into the leading data-powered gifting platform in the UK and the Netherlands. With 50.9 million orders dispatched to our fast-growing customer base in FY21, we have delivered a step change in the scale of our business.

As society emerges from lockdown, and certain customer behaviours such as purchase frequency start to normalise, we will see a reduction in headline revenue. However, we are confident that our powerful data-driven customer retention flywheel will continue to drive underlying growth.

The Group has built compelling, self-reinforcing competitive advantage, in the form of our two powerful brands, a world-class proprietary technology platform, the scale and depth of the Group's data on consumers' relationships and gifting intentions and its ability to apply this through self-learning algorithms. Through the lockdowns of the past year we have successfully leveraged these competitive advantages to outperform peers and bring more of the market online.

We are proud to have grown both revenue and Adjusted EBITDA by over 100%, brought the business to the public equity markets, driven customer satisfaction to new highs, achieved record employee engagement and launched the Moonpig Group Foundation. We want to thank all of our employees for making this all possible in such fast moving and challenging circumstances.

Operational performance
The Group delivered year-on-year revenue growth of 113%, ahead of guidance at the IPO. The Group's operating leverage drove an increase in Adjusted EBITDA from £44.4m in FY20 to £92.1m in FY21, again ahead of expectations, despite additional marketing spend to accelerate customer acquisition and further strengthen our brands.

Both Moonpig and Greetz captured online market share through lockdown, as the Group acquired new customers and drove volume by leveraging the competitive advantages of its brand power and scale, rich pools of data and world-class technology platform.

Our strategy – becoming the ultimate gifting companion

Building our brands
A key pillar of our strategy is ensuring that the customer is always excited to send, and the receiver is always delighted to open their Moonpig or Greetz product. Building our brands so that customers trust our quality and service is critical. It underpins the loyalty of our customers and drives a virtuous customer acquisition loop as recipients become customers. We enter FY22 with both our brands in a leading market position.

During FY21 we significantly increased our marketing investment relative to previous years, in particular during lockdown periods. We also launched new brand creative in both the UK (Moonpig's piglet visual asset) and in the Netherlands (Greetz's "Say it your way" campaign) and invested in brand building. Our approach to marketing activity remains agile, and our aim is that we will continue to invest wherever opportunities for customer acquisition arise that meet our payback thresholds.

We further improved our service levels, extending our already market-leading cut-off times so that customers can now order as late as 10pm in the Netherlands and 9pm in the UK for same day dispatch. We introduced enhanced order-tracking features across our entire gifting range and are experimenting with artificial intelligence driven customer service automation, to give customers 24/7 peace of mind.

Expanding our range
We strive to have the perfect card and gift for every relationship and every occasion. This year we have made transformational progress towards this, significantly improving both our card and gifting product ranges. As we help our customers to discover the full extent of our product offering, we aim to capture a greater share of their gifting wallet, through raising both purchase frequency and gift attach rate.

The breadth and relevance of the Group's cards range is a differentiator from offline competitors, and through our Global Design Platform we have increased the number of unique card designs from 17,000 at the start of the year to 27,000 at the close. We added 88 new design partners to our portfolio, which ranges from small independent freelancers to large global brand partners such as Nintendo, Marvel and DC Comics.

We have significantly reduced the time-to-market for new card designs such that our topical range is constantly refreshed. In the final quarter of FY21 we launched the same number of card designs on our sites as in the whole of FY20.

In gifting, our primary focus has been on adding over 70 leading consumer brands to the range, with notable successes including LEGO® and Cath Kidston. We also launched trials of new categories (such as homeware), and more premium price points (such as Dom Pérignon champagne) which will inform our future range development plans.

Our improved range, powered by more dynamic recommendation algorithms, and underpinned by elevated demand for online gifting during Covid-19 lockdowns, drove an increase in the mix of attached gifting revenue from 35% of total in FY20 to 40% in FY21. Total gifting revenue (including standalone gift orders) grew by 133% year-on-year and accounted for 46% of the Group's revenue in FY21.

Leveraging data and technology
We have an extensive and unique dataset on our customers' gifting behaviour. Our algorithms are optimised over 190 million cumulative transactions as at 30 April 2021 (comprising Moonpig all time and Greetz since acquisition in September 2018) and our online market leadership means that each day we capture more than three times more customer data than the nearest competitor.

Our ability to harness this data using technology and make it as effortless as possible to find the perfect card and gift is a major element of our future growth plans. In FY21, we completed the three-year rebuild of Moonpig's proprietary technology platform, which is designed to leverage our unique dataset on customers' gifting relationships and over the next two years we will unify the Group onto this platform. The re-platforming has supported a faster and more reliable site and enabled an acceleration in the collection and use of data such as reminders to personalise the customer experience.

Calendar reminders remain a key tool for customer retention, and we worked hard to grow the database of reminders to over 50 million by 30 April 2021. Our goal remains a hyper-personalised customer reminder journey, which we view as a driver of future growth.

Our data science investments have made it easier for customers to find and write their perfect card and gift, with self-learning algorithms driving increased personalisation of the home page, higher relevance of the search function, smarter suggested filters, and more accurate gift recommendations, each of which have contributed positively to conversion rates. We also launched several new features, including e-cards, suggested messages, and multi-sender "group cards" all of which have proven popular with our customer base.

Our mobile apps offer the best experience for our customers, with a consistently higher lifetime value once customers migrate onto the app. FY21 was a milestone year for our app strategy, as Moonpig's customers embraced differentiated features such as digital handwriting, augmented reality previews and easy photo integration, taking both the iOS and Android apps to the number one position in the UK at several times during the year. For the Moonpig brand across the year as a whole, app share of orders has increased from 16% in FY20 to 37% across FY21.

Maintaining high ethical, environmental and sustainability standards
It's a privilege to lead an organisation that plays an intrinsically positive role in society, with our purpose centred around helping people to connect in the most meaningful way with those that they care about. Building on this, we have launched our ESG strategy, committing the Group to eight long-term goals focused on the environment, our people and our communities.

Our environmental goals build on the Group's success in 2021 in removing almost all single-use plastics from our own packaging. We have set targets to have 100% sustainably sourced paper, card and packaging by 2022 and to achieve net zero carbon emissions by 2030. We aim to be "forest positive" and are partnering with experts to replant more forests than we use by reforesting at least 330 new hectares of woodland by 2025.

Moonpig Group's employees are our greatest asset. We have a dynamic growth culture, supported by a people strategy built around high performance, high engagement and high inclusion. We aim to maintain the Group's employee engagement score at or above 72% in line with the New Tech benchmark. We have also set targets for increasing the aggregate representation of women and ethnic minorities in our extended leadership team and for raising the proportion of new hires into technology roles that are women or from ethnic minorities by 2025.

Finally, in keeping with our core purpose of creating better, more personal, connections between people, we are proud to have set up the Moonpig Group Foundation. The Foundation's vision is to spark moments of joy for customers, people and communities to help them be more resilient. Consistent with our long history of charitable donation we have committed that the Foundation will invest £1.0m in communities between 2020 and 2025. As well as financial support, we are creating more partnerships with organisations and causes that help communities build resilience, and employees can offer their expertise through paid volunteering hours to support causes that matter most to them.

Outlook
The new financial year has started moderately ahead of expectations, which is reflected in our latest guidance (see the Financial Review). As restrictions have eased, we have seen customer purchase frequency start to normalise from elevated levels, and we expect this to continue in line with previous expectations. Despite this trading headwind, and the annualisation of the large cohort of new customers acquired during lockdown, we now expect revenue to be between 45% to 50% higher than in FY20.

We have accelerated delivery of our strategic priorities in a business which has been permanently transformed in scale during the past year, positioning us well for sustained medium-term growth. We have helped millions of new customers to connect with loved ones at moments that matter, and the retention rates for this cohort of customers is encouraging. Our focus remains on entrenching our position as the ultimate gifting companion in our core markets, where there remains a compelling long-term runway for future growth through bringing more customers online, capturing a higher share of wallet in cards, and continuing to drive gift attach rate.

Financial review

Overview

It has been a year of rapid change for Moonpig Group, arising entirely within the duration of Covid-19 related restrictions. We're proud of the way the business has dealt with the challenges that these circumstances have raised and its agility in responding to the opportunities presented. As well as protecting the Group's people and supporting suppliers, we have substantially grown the active customer base and helped customers to maintain connections with the people they care about most.

Throughout the year, the business has executed at pace against the strategy that we set out at the IPO. We have focused on delivering +109% growth in total orders, building further resilience into the Group's efficient and scalable operational network. We have expanded customer acquisition into additional digital channels and introduced entirely new creative platforms for advertising in both the UK and the Netherlands. We have expanded the Group's range of card designs and its gifting proposition, whilst innovating new formats such as e-cards and group cards. We have completed the three-year migration of Moonpig onto a new technology and data platform.

Whilst we expect online market demand for cards and gifting to be lower next year than in FY21, we will nevertheless have delivered an enduring uplift in the scale of the business through lockdown. We expect FY22 to feature a larger customer base, an uplift in purchase frequency and a step change in Adjusted EBITDA margin rate compared against FY19, which was the most recent financial year arising wholly prior to lockdown.

Financial performance

	FY21	FY20	**Change**
Revenue £m	**368.2**	173.1	**113%**
Gross profit £m	**186.0**	91.7	**103%**
Gross margin %	**50.5%**	53.0%	**(2.4%pts)**
Adjusted EBITDA £m	**92.1**	44.4	**107%**
Adjusted EBITDA margin %	**25.0%**	25.6%	**(0.6%pts)**
Reported profit before tax £m	**32.9**	31.8	**3%**
Adjusted profit before tax £m	**74.6**	33.2	**125%**
Earnings per share – basic (pence)	**6.1**	–	**–**
Earnings per share – diluted (pence)	**6.0**	–	**–**

Group revenue grew year-on-year by 113% to £368.2m in FY21, reaching the top end of guidance that revenue was expected to be approximately double the £173.1m revenue for the previous year.

Gross profit increased by 103% to £186.0m and Adjusted EBITDA grew by 107% to £92.1m, driven by strong volume growth and the operating leverage inherent in the business. We chose to prioritise market share capture and strategy delivery over short-term optimisation of profit margin rate. We therefore invested in additional marketing, in maintaining operational resilience and in promotional discounting to drive app downloads and reminder setting, whilst ensuring that Adjusted EBITDA margin rate of 25.0% remained in line with medium-term guidance of approximately 24.0% to 25.0%.

Revenue

	FY21	FY20	**Change**
Orders £	**50.9**	24.3	**109%**
AOV £ per order	**7.2**	7.1	**2%**
Group revenue £m	**368.2**	173.1	**113%**

	FY21	FY20	**Change**
Moonpig £m	**281.7**	126.5	**123%**
Greetz £m	**86.4**	46.6	**86%**
Group revenue £m	**368.2**	173.1	**113%**

The Group delivered growth in total orders at 109% year-on-year across FY21 as a whole, driven both by higher rates of new customer acquisition and by higher purchase frequency.

The Group saw growth in new customer acquisition through unpaid channels, as the strength of the Group's brands enabled it to capture a higher proportion of Covid-19 related growth in online demand than its nearest competitors. The Group also increased marketing activity to accelerate paid customer acquisition.

Order growth was also driven by higher customer purchase frequency, which was elevated to varying degrees throughout the year due to Covid-19 related lockdown measures. In both the UK and the Netherlands, frequency was highest during the periods when government restrictions were most comprehensive and decreased during intervening periods of relaxation.

Average order value increased by 2% year-on-year in FY21 driven by a trend of more customers attaching gifts to their orders, in particular during the lockdown restrictions of Winter and Spring 2021. This was offset in part by the Group choosing to invest in promotional incentives to accelerate the delivery of strategic objectives including the migration of Moonpig customers from web to app and incentivised customer reminder setting.

In consequence, Group revenue increased by +113% year-on-year to £368.2m in FY21 reflecting growth of +123% at Moonpig and +86% at Greetz. The higher overall rate of growth at Moonpig reflects greater severity of government restrictions in the UK versus the Netherlands on average across the year as a whole, and also the benefits from the last three years' investment to build the Moonpig technology and data platform.

Group – gross margin %

	FY21	FY20	**Change**
Moonpig	**51.9%**	56.3%	**(4.4%pts)**
Greetz	**46.2%**	43.9%	**2.3%pts**
Group gross margin rate %	**50.5%**	53.0%	**(2.4%pts)**

The Group's gross margin rate decreased by 2.4%pts year-on-year, driven by Moonpig, where gross margin rate was 4.4%pts lower than in the prior year. This reflected promotional discounting to drive migration to the app and to incentivise reminder setting, together with growth in attached gifting at lower-than-average percentage gross margin rate. Additional variable costs were also incurred to maintain production and fulfilment during periods of exceptionally high consumer demand.

Greetz gross margin increased by 2.3%pts year-on-year, reflecting the delivery of operational efficiencies through the application of the Group's management expertise to Greetz's merchandising and operational processes.

Group – Adjusted EBITDA margin %

	FY21	FY20	**Change**
Moonpig	**27.8%**	31.5%	**(3.8%pts)**
Greetz	**16.0%**	9.6%	**6.4%pts**
Group Adjusted EBITDA margin %	**25.0%**	25.6%	**(0.6%pts)**

The Group's operating expenses (representing costs between gross profit and Adjusted EBITDA) comprise marketing expenditure, variable overheads and indirect overheads (including employee benefit costs and indirect supplier costs including for facilities and technology services). The Group's cost discipline and ability to leverage its operating model enabled it to reduce indirect costs as a percentage of revenue from 27.3% in FY20 to 25.5% in FY21.

The Adjusted EBITDA margin rate of the Moonpig segment decreased from 31.5% in FY20 to 27.8% in FY21. The Group's preference is to prioritise market share capture over short-term optimisation of profitability, as this is considered likely to create greater long-term shareholder value. Accordingly, the Group increased marketing activity to heighten new customer acquisition and incurred additional supply chain costs to deliver the resulting higher levels of customer orders.

Greetz, which had a 15-year track record of negligible operating profit prior to its acquisition in August 2018, has been transformed through the application of the Group's cards-first strategy and operational playbook. Its Adjusted EBITDA margin rate increased further this year from 9.6% in FY20 to 16.0% in FY21.

Depreciation and amortisation increased from £10.4m in FY20 to £11.7m in FY21, with the increase reflecting investment in the technology re-platforming of the Moonpig brand which has been ongoing throughout the last three years. Taking this into account, Adjusted EBIT grew by 17% to £38.7m (FY20: £33.1m). Group PBT increased by 3.4% to £32.9m (FY20: £31.8m).

Alternative Performance Measures

The Group has identified certain Alternative Performance Measures ("APMs") that it believes provide additional useful information on the performance of the Group. These APMs are not defined within IFRS and are not considered to be a substitute for, or superior to, IFRS measures. These APMs may not be necessarily comparable to similarly titled measures used by other companies.

Directors and management use these APMs alongside IFRS measures when budgeting and planning, and when reviewing business performance. Executive management bonus targets include an Adjusted EBITDA measure and long-term incentive plans include an adjusted basic EPS measure.

	IFRS Measures FY21	Adjusted Measures FY21	IFRS Measures FY20	Adjusted Measures FY20	IFRS Measures Change	Adjusted Measures Change
IPO Admission related transaction costs		**(10.6)**		–		
IPO Admission related bonuses		**(4.3)**		–		
Recognition and remeasurement of pension indemnity		**(1.8)**		2.3		
Pension provision		**2.1**		(2.8)		
IPO Admission related share-based payment charges		**(27.1)**		–		
Restructuring and other		**–**		(0.9)		
Total Adjusting Items		**(41.7)**		**(1.4)**		
Revenue	***368.2***	***368.2***	*173.1*	*173.1*	*112.7%*	*112.7%*
PAT	**20.8**	**61.3**	30.7	32.1	(32.3%)	90.9%
Taxation	***(12.1)***	***(13.3)***	*(1.1)*	*(1.1)*	*1,023.2%*	*1,132.4%*
PBT	**32.9**	**74.6**	31.8	33.2	3.4%	124.7%
PBT margin	**8.9%**	**20.3%**	18.4%	19.2%	(9.4%pts)	1.1%pts
Net interest	***5.8***	***5.8***	*1.3*	*1.3*	*334.1%*	*334.1%*
EBIT	**38.7**	**80.4**	33.1	34.5	16.8%	132.8%
EBIT margin	**10.5%**	**21.8%**	19.1%	19.9%	(8.6%pts)	1.9%pts
Depreciation and amortisation	***11.7***	***11.7***	*10.4*	*10.4*	*12.9%*	*12.9%*
EBITDA	**50.4**	**92.1**	43.5	44.4	15.8%	105.1%
EBITDA margin	**13.7%**	**25.0%**	25.1%	25.6%	(11.4%pts)	(0.9%pts)

Costs arising in connection with the Initial Public Offering have been isolated in recognition of the nature, infrequency and materiality of this capital markets transaction.

Adjusting items associated with the Greetz pension case (both the provision for historical pension liabilities and the associated indemnification asset due from the sellers of Greetz) relate to the remeasurement of balances recognised in connection with an M&A transaction that are material, non-recurring and outside the ordinary course of business.

In addition, adjustment has been made for the one-off compensation arrangements granted prior to IPO and described in the Prospectus as the Legacy Items and the All-Employee IPO Awards (together "Legacy Incentives"). These Legacy Incentives comprise a combination of cash and share-based payments and those that have not yet vested will vest across each of the subsequent financial years ending 30 April 2024. The Group believes that it is appropriate to treat these costs as an adjusting item as they relate to a one-off award, designed and implemented whilst the Group was under private equity ownership (and are reasonably typical of that market and appropriate in that context).

The Group now operates in a new environment and the Remuneration Committee will apply the Remuneration Policy in a listed company context, hence similar awards are not expected in future. For clarity, where share-based payment charges arise as a consequence of the operation of the Group's post-Admission Remuneration Policy, these are not treated as adjusting items and the cost is deducted from each of the APMs defined below. This includes costs of £0.2m in FY21 relating to a grant in connection with the FY24 Long Term Incentive Plan.

Restructuring and other costs in 2020 relate to the reorganisation of the Group's operating model in order to prepare the Group for Admission to the London Stock Exchange in 2021.

The definitions for the above adjusted measures are as follows:

- Adjusted PAT is the profit after tax, before IPO costs, Legacy Incentive costs and charges or credits relating to the Greetz pension provision and associated indemnity asset.
- Adjusted PBT is the profit before tax, before IPO costs, Legacy Incentive costs and charges or credits relating to the Greetz pension provision and associated indemnity asset. Adjusted PBT margin is Adjusted PBT divided by total sales.
- Adjusted EBIT is the profit before tax, interest, IPO costs, Legacy Incentive costs and charges or credits relating to the Greetz pension provision and associated indemnity asset. Adjusted EBIT margin is Adjusted EBIT divided by total sales.
- Adjusted EBITDA is the profit before tax, interest, depreciation, amortisation, IPO costs, Legacy Incentive costs and charges or credits relating to the Greetz pension provision and associated indemnity asset. Adjusted EBITDA margin is Adjusted EBITDA divided by total sales.

Net finance expense

Net finance expense in FY21 was £5.8m (FY20: £1.3m). The increase in FY21 reflects the entering of the £195.0m Senior Facilities Agreement on 7 January 2021 in connection with the Group's restructuring and demerger.

Tax

The Group tax charge of £12.1m (FY20: £1.1m) represents an effective tax rate of 36.8% in FY21 (FY20: 3.4%). Prior to the demerger that was completed in January 2021, the Group's operating legal entities were part of a different corporation tax group. Undertakings formerly under common control surrendered their losses by way of group relief and the Group utilised these to offset its own taxable profits in accordance with prevailing tax regulations. Offsetting this in part, the Group incurred £9.9m of costs in connection with the IPO that are disallowed for corporation tax purposes.

Earnings per share ("EPS")

Basic EPS for FY21 was 6.1p based on the weighted average number of ordinary shares outstanding during the period since Admission of 342,112,621 less 3,076,329 shares subject to potential repurchase. After accounting for the effect of employee share arrangements, diluted earnings per share was 6.0p.

Adjusted basic EPS was 18.1p. Adjusted basic EPS adjusts for the exceptional one-off costs in the year (primarily IPO costs, and charges or credits relating to the Greetz pension provision and associated indemnity asset) and for Legacy Incentive costs.

Cash flow

Net cash generated from operating activities increased by £3.4m in FY21 to £64.4m primarily due to higher operating profit. This was partially offset by the adverse working capital movements mainly driven by the increase in inventories to support revenue growth and creditors phasing compared to FY20.

Net cash used in investing activities increased by £6.9m in FY21 to £14.4m largely due to the outflows in connection with gross capital expenditure and investment in the development of technology, app and platform enhancements, internal use software, internally generated software.

Net cash used in financing activities was an inflow of £14.9m in FY21 (FY20: £44.2m outflow), with the inflow largely driven by the net movement in borrowings, movements on lease liabilities and proceeds received from share issuance in FY21 only.

The Group drew down the full amount of £175.0m under a new five-year term loan facility. The Group repaid £168.8m to an undertaking formerly under common control and used to refinance or otherwise discharge the existing debt of a former parent undertaking.

Operating cash conversion

The Group is cash generative with an operating cash flow of £97.2m (FY20: £51.0m), representing adjusted operating cash conversion of 106% (FY20: 115%).

Adjusted operating cash conversion is a non-GAAP measure and is defined as operating cash flow divided by Adjusted EBITDA, expressed as a ratio. Adjusted operating cash conversion informs management and investors about the cash operating cycle of the business and how efficiently operating profit is converted into cash.

Operating cash conversion

	2021	2020
Profit before tax	**32.9**	31.8
Add back: Net finance costs	**5.8**	1.3
Add back: Adjusting items (excluding Share-Based Payments)	**14.6**	1.4
Add back: Share-Based Payments	**27.1**	0.0
Add back: Depreciation and Amortisation per the Income Statement	**11.7**	9.9
Adjusted EBITDA	**92.1**	44.4
Less: Capital expenditure (Fixed Assets)	**(10.8)**	(7.7)
Add back: (Increase) in inventories	**(12.0)**	(0.2)
Add back: (Increase) in trade and other receivables	**(1.8)**	(1.1)
Add back: Increase in trade and other payables	**29.7**	15.6
Operating cash flow	**97.2**	51.0
Operating cash conversion	**106%**	115%
Add back: Capital expenditure (Fixed Assets)	**10.8**	7.7
Add back: Increase / (decrease) in debtors and creditors with undertakings formerly under common control	**(3.1)**	3.5
Less: Adjusting items (excluding Share-Based Payments)	**(14.6)**	(1.4)
Less: Non-cash movement with undertakings formerly under common control	**(25.4)**	0.0
Less: Research and Development tax credit	**(0.5)**	(0.3)
Less: Depreciation and Amortisation per the Income Statement(a)	**(11.7)**	(9.9)
Add back: Depreciation and Amortisation per the Cash Flow(a)	**11.7**	10.4
Cash generated from operating activities	**64.4**	61.0

(a) Depreciation and amortisation as charged in the condensed consolidated income statement for is stated after recharges to other undertakings formerly under common control. Following the entering of a sublease over space at the Group's head office premises effective 1 May 2020, these recharges have ceased.

The Group has an asset light business model, which combines lean process design and automation with an efficient supply chain strategy consisting of a mix of in-house and outsourced functions to provide operational flexibility and minimise capital expenditure requirements. Capex, the majority of which relates to software development, remained relatively constant year-on-year at £10.8m (FY20: £7.7m).

The business likewise has an inventory-light model. The year-on-year increase in inventories reflects stock holding at multiple distribution facilities for improved operational resilience and temporary accumulation of buffer stock to provide additional forward cover during lockdown. There has also been some additional increase in inventories to support strong growth in gifting sales volumes and the broadening of the Group's off-the-shelf gift range.

The year-on-year reduction in trade and other payables was driven by very strong trading activity during Spring 2021 during the latest period of lockdown in both the UK and the Netherlands.

Capital structure
On 7 January 2021 in connection with the demerger, the Group entered into a Senior Facilities Agreement comprising a 5-year Term Loan B of £175.0m (with fees of approximately £6.4m capitalised on the balance sheet) and a committed revolving credit facility (RCF) of £20.0m.

The Company raised gross proceeds of £20.4m from the issue and sale of shares in connection with the IPO, with the intention of ensuring that the Group's ratio of net debt to Adjusted EBITDA as at 30 April 2021 was below 2.0x.

Net debt is a non-GAAP measure and is defined as total borrowings less cash and cash equivalents. Group net debt was £115.1m (FY20: £28.3m), comprising cash and cash equivalents of £66.0m (FY20: £12.1m) and total debt of £181.4m (FY20: £40.4m). The year-on-year increase in net debt reflects the entering of the Senior Facilities Agreement, prior to which the Group's principal operating entities had been guarantors of the debt facilities of the predecessor holding company but did not act as borrower.

Actual net debt to Adjusted EBITDA as at 30 April 2021 was 1.25x. This is comfortably lower than was anticipated at the IPO and reflects the Group's strong trading performance and cash flow generation throughout the final quarter of the year.

Capital allocation
In future capital allocation, our priority will be organic investment to drive growth, for instance investments to drive the breadth and quality of our product and service offering. This may include additional marketing investment to drive customer acquisition or further strengthen our brands; promotional activity to incentivise customer reminder setting and app downloads; an increase to the rate of investment in our technology and data platform; or further enhancement to the flexibility and scalability of our operations footprint.

The Group has now extended the lease on Greetz's Amsterdam facility to October 2022; before this date, as previously advised, the Group will incur capital expenditures outside of the ordinary course in connection with moving to new premises.

We will consider value-accretive M&A opportunities in our current markets and in areas that will accelerate our medium-term goals. We will only do so where this is complementary to our strategy and our current financial model.

As set out in the Prospectus, the Company does not intend to pay dividends as the Group invests in growth. Similarly, the Group has no current intention to repay any of the Term Loan B. The RCF remains in place and is undrawn. The Group intends to keep both its capital structure and its dividend policy under review and may revise these from time to time.

Outlook
The new financial year has started moderately ahead of expectations, consistent with the slower lifting of lockdown restrictions in the UK and the Netherlands.

As restrictions have eased, we have seen customer purchase frequency start to normalise from elevated levels, and we expect this trend to continue until customer purchase frequency has settled at a level approximately 5% higher than before Covid-19.

The retention of customers acquired during the past year is consistent with historical cohorts, albeit there will be a headwind for trading as we annualise the large FY21 cohort of new customers following historical second-year spending patterns. This, together with the moderation in purchase frequency, means that we continue to expect a year-on-year decrease in headline revenue in FY22.

Our business has nevertheless been step-changed through lockdown. We now expect revenue in FY22 of approximately £250m to £260m, which represents growth of approximately 45% to 50% compared to FY20 and underlying double-digit growth compared to FY21.

In line with our approach during the second half of FY21, we will continue to prioritise additional investments in marketing and market share capture over short-term maximisation of profit margin rate.

Our business is well positioned to drive sustained underlying growth in both revenue and absolute profit, as we continue to deliver against the strategy outlined at the IPO. With respect to the medium term, the Group continues to target annual revenue growth in the mid-teens and an Adjusted EBITDA margin rate of approximately 24.0% to 25.0%.

Condensed consolidated financial information

Condensed consolidated income statement
For the year ended 30 April 2021

	Note	2021 £000	Unaudited 2020 £000
Revenue	3	**368,183**	173,119
Cost of sales		**(182,137)**	(81,430)
Gross profit		**186,046**	91,689
Selling and administrative expenses	4,5	**(148,874)**	(58,581)
Other income	4	**1,482**	–
Operating profit		**38,654**	33,108
Finance income	6	**686**	942
Finance costs	6	**(6,472)**	(2,275)
Profit before taxation		**32,868**	31,775
Taxation	8	**(12,097)**	(1,077)
Profit after taxation		**20,771**	30,698
Profit attributable to:			
Equity holders of the Company		**20,771**	30,698
Earnings per share (pence)			
Basic	9	**6.1**	N/a
Diluted	9	**6.0**	N/a

All activities relate to continuing operations.

Condensed consolidated statement of comprehensive income
For the year ended 30 April 2021

	Note	2021 £000	Unaudited 2020 £000
Profit for the year	4	**20,771**	30,698
Other comprehensive income and expenses			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		**(232)**	23
Total other comprehensive income		**(232)**	23
Total comprehensive income for the year		**20,539**	30,721

Condensed consolidated balance sheet
As at 30 April 2021

	Note	2021 £000	Unaudited 2020 £000
Non-current assets			
Intangible assets	10	**36,322**	35,851
Property, plant and equipment	11	**18,001**	18,848
Other non-current assets		**1,412**	200
		55,735	54,899
Current assets			
Inventories	12	**14,882**	2,897
Trade and other receivables		**4,302**	38,163
Current tax receivable		**237**	–
Cash and cash equivalents		**66,020**	12,079
		85,441	53,139
Total assets		**141,176**	108,038
Current liabilities			
Trade and other payables		**60,717**	34,967
Provisions for other liabilities and charges	13	**1,697**	3,303
Contract liabilities	14	**3,422**	6,044
Current tax liabilities		**–**	98
Lease liabilities	15	**2,406**	2,224
Borrowings	15	**389**	26,722
		68,631	73,358
Non-current liabilities			
Trade and other payables		**1,523**	–
Borrowings	15	**168,682**	–
Lease liabilities	15	**9,626**	11,482
Deferred tax liabilities		**3,238**	2,867
Provisions for other liabilities and charges	13	**816**	816
		183,885	15,165
Total liabilities		**252,516**	88,523
Equity			
Share capital	16	**34,211**	–
Share premium	16	**277,837**	251,362
Merger reserve		**(1,000,586)**	(229,814)
Retained earnings		**550,183**	(2,040)
Other reserves	16	**27,015**	7
Total equity		**(111,340)**	19,515
Total equity and liabilities		**141,176**	108,038

Approved by the Board of Moonpig Group plc on 27 July 2021.

Condensed consolidated statement of changes in equity
For the year ended 30 April 2021

	Note	Share Capital £000	Share Premium £000	Merger reserve £000	Invested Capital £000	Retained Earnings £000	Other Reserves £000	Total equity £000
Balance at 1 May 2019		–	–	–	21,224	–	–	21,224
Dividends declared	16	–	–	–	(25,527)	–	–	(25,527)
Profit for the period to 9 April 2020		–	–	–	25,835	–	–	25,835
Investment in Cards Holdco Limited		–	251,362	(229,814)	(21,532)	–	(16)	–
Profit for the period		–	–	–	–	4,863	–	4,863
Settlement of Group relief		–	–	–	–	(6,903)	–	(6,903)
Other comprehensive income		–	–	–	–	–	23	23
As at 30 April 2020 (Unaudited)		**–**	**251,362**	**(229,814)**	**–**	**(2,040)**	**7**	**19,515**
Profit for the period		**–**	**–**	**–**	**–**	**20,771**	**–**	**20,771**
Other comprehensive income		**–**	**–**	**–**	**–**	**–**	**(232)**	**(232)**
Total comprehensive income		**–**	**–**	**–**	**–**	**20,771**	**(232)**	**20,539**
Issue of shares	**16**	**50**	**–**	**–**	**–**	**–**	**–**	**50**
Insertion of new top company		**29,250**	**(251,362)**	**(236,875)**	**–**	**–**	**–**	**(462,287)**
Share issue to extinguish shareholder loan notes	**16**	**7,618**	**259,003**	**–**	**–**	**–**	**–**	**266,621**
Shares issued on listing net of fees	**16**	**593**	**18,834**	**–**	**–**	**–**	**–**	**19,427**
Capitalisation of merger reserve		**533,897**	**–**	**(533,897)**	**–**	**–**	**–**	**–**
Share capital reduction		**(533,897)**	**–**	**–**	**–**	**533,897**	**–**	**–**
Settlement of Group relief		**–**	**–**	**–**	**–**	**(2,445)**	**–**	**(2,445)**
Share-based payments		**–**	**–**	**–**	**–**	**–**	**27,240**	**27,240**
As at 30 April 2021		**34,211**	**277,837**	**(1,000,586)**	**–**	**550,183**	**27,015**	**(111,340)**

Condensed consolidated cash flow statement
For the year ended 30 April 2021

	Notes	2021 £000	Unaudited 2020 £000
Cash flow from operating activities			
Profit before taxation		**32,868**	31,775
Adjustments for:			
Depreciation, amortisation and impairment	10,11	**11,732**	10,394
Loss/(gain) on disposal of non-current assets		**47**	(4)
Net finance expense	6	**5,786**	1,333
R&D tax credit		**(534)**	(296)
Share-based payment charges		**27,105**	–
Non-cash movement with undertakings formerly under common control		**(25,485)**	–
Changes in working capital:			
Increase in inventories		**(12,001)**	(183)
Increase in trade and other receivables		**(1,786)**	(1,131)
Increase in trade and other payables		**29,755**	15,602
(Increase)/decrease in trade and other receivables and payables with undertakings formerly under common control		**(3,113)**	3,502
Cash generated from operating activities		**64,374**	60,992
Income tax (paid)/received		**(11,096)**	658
Net cash generated from operating activities		**53,278**	61,650
Cash flow from investing activities			
Purchase of intangible assets	10	**(7,750)**	(6,420)
Purchase of property, plant and equipment	11	**(3,059)**	(1,236)
Proceeds from sale of property, plant and equipment		**–**	174
Deferred consideration on purchase of Greetz		**(3,562)**	–
Net cash used in investing activities		**(14,371)**	(7,482)
Cash flow from financing activities			
Proceeds from increases in and new borrowings	15	**175,000**	88
Payment of fees related to new borrowings	15	**(6,544)**	–
Repayment of pre-IPO borrowings		**(168,800)**	–
Interest paid		**(1,697)**	(14)
Lease liabilities paid	15	**(1,779)**	(1,621)
Interest paid on leases	15	**(763)**	(880)
Payments to undertakings formerly under common control	15	**–**	(41,585)
Repayment of shareholder loans	15	**–**	(155)
Proceeds from IPO share issue	16	**19,468**	–
Net cash generated from / (used in) financing activities		**14,885**	(44,167)
Net cash flows generated from operating, investing and financing activities		**53,792**	10,001
Differences on exchange		**149**	(68)
Increase in cash and cash equivalents in the year		**53,941**	9,933
Net cash and cash equivalents at 1 May		**12,079**	2,146
Net cash and cash equivalents at 30 April		**66,020**	12,079

Notes to the condensed consolidated financial information

1 General information
Moonpig Group plc (the ‘Company’) is a public limited company incorporated in the United Kingdom under the Companies Act 2006, whose shares are traded on the London Stock Exchange. The condensed consolidated financial information of the Company as at and for the year ended 30 April 2021 comprise the Company and its interest in subsidiaries (together referred to as ‘the Group’). The Company is domiciled in the United Kingdom and its registered address is Herbal House, 10 Back Hill, London EC1R 5EN, United Kingdom.

The Company was incorporated on 23 December 2020 and became the parent company of the Group on 1 February 2021 as a consequence of the pre-IPO Reorganisation (see below), which was accounted for using common control merger accounting. The parent company of the Group for the comparative period was Cards Holdco Limited.

Basis of preparation
The consolidated financial information has been condensed from the audited Moonpig Group plc Annual Report and Accounts 2021 for which an unqualified audit opinion was signed. This condensed financial information does not constitute statutory accounts as defined by the Companies Act 2006, Section 434.

The condensed consolidated financial information has been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and the applicable legal requirements of the Companies Act 2006. In addition to complying with International Accounting Standards in conformity with requirements of the Companies Act 2006, the consolidated financial statements also comply with International Financial Reporting Standards adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union.

All figures presented are rounded to the nearest thousand (£000), unless otherwise stated.

Summary of impact of Group restructure and Initial Public Offering

Preparatory Sub-Group Reorganisation
On 9 April 2020, a sub-group reorganisation was completed whereby Cards Holdco Limited became the holding company of the entities comprising the Group at that point in time (the “Preparatory Sub-Group Reorganisation”). This was accounted for using common control merger accounting.

The members of the Cards Holdco group included 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.

The Cards Holdco group formed part of the previous, wider private group comprising Horizon Holdco Limited (the “Former Parent Undertaking”), a company incorporated and domiciled in England and Wales, and its subsidiaries (together, the “Horizon Group”).

Demerger
As set out in the Prospectus, the “Demerger” was completed on 8 January 2021, whereby Cards Holdco Limited and its subsidiaries were separated from Horizon Holdco Limited. The Demerger was carried out through a series of reorganisation steps, including the insertion of holding companies above Cards Holdco Limited, share for share exchanges, a solvency statement capital reduction pursuant to s.642 of the Companies Act 2006 in one of the new holding companies and Titan Holdco Limited purchasing Cards Holdco Limited and becoming the parent company.

On 7 January 2021, Titan Bidco Limited, one of the new intermediate holding companies of the Group, entered into the Senior Facilities Agreement and drew down in full the Term Loan B facility of £175,000,000. On 8 January 2021, Term Loan B facility was utilised in full and £nil was outstanding under the revolving credit facility (the “RCF”), with fees of £6,318,000 capitalised on the balance sheet. The amount of £168,800,000 drawn net of fees was remitted to the Former Parent Undertaking in order to repay the Existing Facilities.

Pre-IPO Reorganisation

On 1 February 2021 Moonpig Group plc acquired the entire issued share capital of Titan Holdco Limited in exchange for shares issued by the Company, thereby making the Company the holding company of the Group. This formed part of the pre-IPO Reorganisation, as set out in the Prospectus.

On 2 February 2021, the Group’s shares began trading on the London Stock Exchange. Thereafter, a further Group simplification process took place, whereby borrower obligations pursuant to the Senior Facilities Agreement were pushed down to Cards Holdco Limited.

Going concern
Throughout the year ended 30 April 2021 the Group has continued to generate positive operating cash flow with a cash and cash equivalents balance of £66,020,000 at 30 April 2021 (2020: £12,079,000). The Group has access to a multicurrency RCF. The RCF has total commitments of £20,000,000, a term of 60 months and expires in January 2026. At 30 April 2021, the RCF remains undrawn. As part of this going concern assessment, management has considered the negative net asset position of the Group.

The Senior Facilities Agreement is subject to an EBITDA to Senior Net Debt covenant of 4.50x until and including the year ending 30 April 2022, 4.00x until and including the year ended 30 April 2023 and 3.50x thereafter. It is to be tested on a semi-annual basis, with EBITDA and Senior Net Debt as defined in the Senior Facilities Agreement. The Group has complied with all covenants from entering the Senior Facilities Agreement until the date of this financial information.

Stress testing has been performed with the impact of more severe decreases in frequency and reduced levels of new customer acquisitions being considered. In these severe stress scenarios, the Group continues to have sufficient resources to continue in operational existence. In the event that more severe impacts occur, controllable mitigating actions are available to the Group should they be required.

The Directors also reviewed the results of reverse stress testing performed to provide an illustration of the extent to which existing customer purchase frequency and levels of new customer acquisition would need to deteriorate in order that their cumulative effect should either trigger a breach in the Group's covenants under the Senior Facilities Agreement or else exhaust liquidity. The probability of this scenario occurring was deemed to be remote given the resilient nature of the business model, robust balance sheet and continued strong cash conversion of the Group.

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least 12 months from the date of signing this results statement.

Critical accounting judgements and estimates

In preparing this financial information, management has made judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

The areas of judgement which have the greatest potential effect on the amounts recognised in this financial information are:

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, 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 attributed to such projects. Further details of the amounts of, and movements in, such assets are given in Note 10.

The areas of estimates and assumptions which have the greatest potential effect on the amounts recognised in this financial information are:

Useful life of internally generated assets

The estimated useful lives which are used to calculate amortisation of internally generated assets (the Group's platforms and applications) are based on the length of time these assets are expected to generate income and be of benefit to the Group. The uncertainty included in this estimate is that if the useful lives are estimated to differ from the actual useful lives of the intangible assets, this could result in accelerated amortisation in future years and/or impairments. The economic lives of internally generated intangible assets are estimated at three years. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. If the useful life of internally generated assets were estimated to be shorter or longer by one year, than the current useful life of three years, the net book value would (decrease)/increase by (£787,000)/£965,000 from the amount recognised as at 30 April 2021. Further details of the amounts of, and movements in, such assets are given in Note 10.

2 Summary of significant accounting policies

New standards, amendments and interpretations not yet adopted

There were a number of new standards which were effective from 1 May 2020, but they did not have a material effect on the Group's Financial Information.

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

- Amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16: Interest Rate Benchmark Reform – Phase 2 (effective periods starting on or after 1 January 2021). The Interest Rate Benchmark Reform is expected to have an impact on the Group, but the quantum has not yet been assessed;
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (effective date to be confirmed);
- Amendments to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract (effective date to be confirmed);
- Amendments to References to the Conceptual Framework in IFRS 3 (effective date to be confirmed);
- Amendments to IAS 16: Property, Plant and Equipment – Proceeds before Intended Use (effective date to be confirmed); and
- Annual Improvements to IFRS Standards 2018-2020 (effective date to be confirmed).

The LIBOR reform Phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 are effective for annual periods starting after 1 January 2021. They provide a series of reliefs from accounting requirements when a change required by interest rate benchmark reform occurs. These amendments are not expected to have a material impact on the balance sheet.

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 and presentational currency of the Group is sterling. The income and cash flow statements of the Group undertakings that are 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.

b) Revenue
The Group is principally engaged in the sale of goods, predominantly cards and gifts to its customers. Any shipping and handling is not a separate performance obligation and any shipping fees charged to the customer are included in the transaction price. The sale of goods and any shipping and handling represents a single performance obligation which is satisfied upon delivery of the relevant goods and the transfer of control to that customer. Revenue is shown net of local sales tax and customer discounts and is reduced for provisions of customer returns and re-makes based on the history of such matters.

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.

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.

Where the Group is referred 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.

Part of the Group offer prepaid accounts and/or prepaid vouchers products. Customers have a maximum term after the purchase date of the voucher to consume these prepaid products. Where amounts received or receivable from a customer exceed revenue recognised for a contract, a contract liability is recognised. Contract liabilities primarily reflect prepaid amounts received in advance of revenue recognition. The contract liability is unwound as related performance obligations are satisfied. The maximum term on these vouchers is two years. The balance on prepaid 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 standalone selling price, 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 performance obligations.

The Group operates schemes with third parties where the Group earns revenue for successful customer referrals that utilise the third parties service offerings. The enrolment by a Group customer with these third-party service providers 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 the 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 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 number of returns are reassessed at each reporting date.

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.

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

Business combinations are 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. Balances from intercompany transactions were eliminated.

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 only relates to the Greetz cash generating unit.

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.

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 fair value.

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.

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.

The estimated useful lives are as follows:

	Straight-line amortisation period
Trademark	10 years
Technology and development costs	3 years
Customer database	11 years
Software	3 to 5 years
Other intangibles	2 to 4 years

g) Impairment of non-financial assets

Assets are reviewed for impairment whenever events indicate that the carrying amount of a cash-generating unit and the carrying amounts of non-financial assets 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

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.

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:

	Straight-line depreciation period
Freehold property	25 years
Plant and machinery	4 to 5 years
Fixtures and fittings	4 to 5 years
Leasehold improvements	Over the unexpired term of lease
Computer equipment	3 years
Right-of-use assets (plant and machinery, and property leasehold improvements)	Lease length

j) Leased assets

Group as lessee

With effect from 1 May 2019, the Group 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 11 and the liabilities included as part of borrowings in Note 15. The nature of Groups leases are offices and printing machinery. In adopting IFRS 16, the Group has applied the modified retrospective approach with no restatement of prior periods, as permitted by the Standard.

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 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.

Group as lessor
The Group has entered into a lease agreement as a lessor with respect to one of its properties with a subsidiary of the Former Parent Undertaking. This 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.

k) Inventories
Inventories include raw materials and finished goods, and 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. Cash equivalents relate to cash in transit from various payment processing intermediaries that provide receipting services to the Group.

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 centrally; 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.

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.

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 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) Adjusting items
Adjusting 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 adjusting items, the Group consistently applies a policy that defines criteria that are required to be met for an item to be classified as an adjusting item. 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 condensed consolidated financial information in helping them to understand the underlying business performance and are used to derive the Group's principal non-GAAP measure of Adjusted EBITDA, which is before the impact of adjusting items and which is reconciled from profit from operations.

r) Equity
Called-up share capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

Share premium
The amount subscribed for the ordinary shares in excess of the nominal value of these new shares is recorded in share premium. Costs that directly relate to the issue of ordinary shares are deducted from share premium net of corporation tax.

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

Invested capital
Invested capital represents the total equity of the Group during the period prior to the Preparatory Sub-Group Reorganisation (see above).

Other reserves
Share-based payment reserve
The share-based payment reserve is built up of charges in relation to equity settled share-based payment arrangements which have been recognised within the profit and loss account.

Foreign currency 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.

s) Earnings per share
The Group presents basic and diluted earnings per share ('EPS') for its ordinary shares. Basic EPS is calculated by dividing the profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. For diluted EPS, the weighted average number of ordinary shares is adjusted to assume conversion of all dilutive potential ordinary shares.

t) Share-based payments
The Group has equity-settled compensation plans.

Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed over the vesting period, based on the Group's estimate of awards that will eventually vest. For plans where the vesting conditions are based on a market condition, such as total shareholder return, the fair value at date of grant reflects the probability that this condition will not be met and therefore is fixed thereafter irrespective of actual vesting.

Fair value is measured by the use of the Black-Scholes option pricing model, except where vesting is subject to market conditions when the Stochastic option pricing model is used. A Chaffe model is used to value the holding period. The expected term used in the models has been adjusted based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

3 Segmental analysis
The CODM, reviews external revenues and Adjusted EBITDA to evaluate segment performance and allocate resources to the overall business.

"Adjusted 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 5 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 the 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. No single customer accounted for 10% or more of the Group's revenue.

Finance income and expense are not allocated to the reportable segments, as this activity is managed centrally.

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.

	2021 £000	Unaudited 2020 £000
Moonpig	**281,737**	126,536
Greetz	**86,446**	46,583
Total External Revenue	**368,183**	173,119

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

	2021 £000	Unaudited 2020 £000
UK and Ireland	**276,972**	123,106
Netherlands	**84,642**	45,944
Rest of the World[1]	**6,569**	4,069
External Revenue	**368,183**	173,119

1 Rest of the World revenue includes the USA, Australia and Belgium.

The following table shows the information regarding assets by segment that reconciles to the consolidated Group.

	2021 £000	Unaudited 2020 £000
Moonpig		
Non-current assets[1]	**27,113**	25,255
Capital expenditure	**(1,606)**	(739)
Intangible expenditure	**(7,611)**	(6,420)
Depreciation and amortisation	**(7,426)**	(5,931)
Greetz		
Non-current assets[1]	**27,210**	29,444
Capital expenditure	**(1,453)**	(497)
Intangible expenditure	**(139)**	–
Depreciation and amortisation	**(4,306)**	(4,463)
Group		
Non-current assets[1]	**54,323**	54,699
Capital expenditure	**(3,059)**	(1,236)
Intangible expenditure	**(7,750)**	(6,420)
Depreciation and amortisation[2]	**(11,732)**	(10,394)

1 Comprises intangible assets and property, plant and equipment.
2 Depreciation and amortisation as charged in the condensed consolidated income statement for April 2020 of £9,868,000 is stated after recharges to other undertakings formerly under common control. Total depreciation and amortisation per the condensed consolidated cash flow Statement for April 2020 is £10,394,000 (see preceding table and Notes 10 and 11). Following the entering of a sublease over space at the Group's head office premises (with another undertaking formerly under common control as undertenant) effective 1 May 2020, these recharges have ceased.

The Group's measure of segment profit, Adjusted EBITDA, excludes depreciation, amortisation and adjusting items, refer to APMs section for calculation.

	2021 £000	Unaudited 2020 £000
Adjusted EBITDA		
Moonpig	**78,268**	39,919
Greetz	**13,860**	4,484
Group Adjusted EBITDA	**92,128**	44,403
Depreciation and amortisation		
Moonpig	**7,426**	5,405
Greetz[1]	**4,306**	4,463
Group depreciation and amortisation[2]	**11,732**	9,868

1 Includes amortisation arising on Group consolidation on intangibles forming part of the Greetz Cash Generating Unit ("CGU").
2 Depreciation and amortisation as charged in the condensed consolidated income statement for April 2020 of £9,868,000 is stated after recharges to other undertakings formerly under common control. Total depreciation and amortisation per the condensed consolidated cash flow statement for April 2020 is £10,394,000 (see preceding table and Notes 10 and 11). Following the entering of a sublease over space at the Group's head office premises (with another undertaking formerly under common control as undertenant) effective 1 May 2020, these recharges have ceased.

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

	Note	2021 £000	Unaudited 2020 £000
Adjusted EBITDA		**92,128**	44,403
Depreciation and amortisation	10,11	**(11,732)**	(9,868)
Adjusting items	5	**(41,742)**	(1,427)
Operating profit/(loss)		**38,654**	33,108
Finance income	6	**686**	942
Finance expense	6	**(6,472)**	(2,275)
Profit/(loss) before taxation		**32,868**	31,775
Taxation (charge)	8	**(12,097)**	(1,077)
Profit for the year		**20,771**	30,698

4 Operating profit

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

	2021 £000	Unaudited 2020 £000
Research and development expenses	**1,385**	690
Depreciation on property, plant and equipment	**4,318**	3,507
Amortisation of intangible fixed assets[1]	**7,414**	6,361
Share-based payment charges	**27,303**	–
Foreign exchange (gain)/loss	**(65)**	35
Loss/(gain) on disposal of property, plant and equipment	**47**	(4)
Expense relating to short-term leases	**12**	163
Other income[2]	**(1,482)**	–
Auditors' remuneration:		
fees to Auditors for the audit of the consolidated financial statements	**443**	–
fees to Auditors' firms and associates for local audits	**50**	170
Total audit fees expense	**493**	170
Fees to Auditors' firms and associates for other services:		
Assurance services	**2,535**	18
Tax advisory services	**49**	18
Tax compliance	**72**	14
	3,149	220

1 In the comparative period, the depreciation and amortisation as charged in the income statement after recharges to other undertakings formerly under common control.
2 Other income relates to a sublease with a subsidiary of the Former Parent Undertaking for its portion of the space used at the Group's head offices at Herbal House.

During the year, PricewaterhouseCoopers LLP charged the Group as follows:

- In respect of audit-related assurance services: £3,028,000. This figure includes one-off assurance services regarding external refinancing and Admission which includes related transaction costs totalling £2,535,000. Admission is a one-off event which the Group expects will not be repeated in the future.
- In respect of non-audit-related services: £121,000. This comprised £72,000 in respect of taxation compliance services and £49,000 in respect of taxation advisory services.

Prior to 7 January 2021, Moonpig Group was part of a wider private group controlled by the Former Parent Undertaking:

- The predecessor private group made exclusive use of PricewaterhouseCoopers LLP for audit and transaction support services. This, together with the concentrated timetable for the external refinancing and Admission meant that it was impractical in the circumstances to hire an alternative provider for the audit-related assurance services.
- The predecessor private group used PricewaterhouseCoopers LLP for taxation services. The procuring of such non-audit services ceased immediately upon it becoming clear that the Group was to pursue becoming a listed entity.

5 Adjusting items

	2021 £000	Unaudited 2020 £000
Admission related transaction costs	**(10,625)**	–
Admission related bonuses	**(4,292)**	–
Admission related share-based payment charges	**(27,105)**	–
Pension provision	**2,086**	(2,800)
Recognition and remeasurement of pension indemnity	**(1,806)**	2,303
Restructuring costs	**–**	(903)
Other	**–**	(27)
Total adjustments made to operating profit	**(41,742)**	(1,427)

Admission related transaction costs
Admission related transaction relate to the expenditure incurred, including fees and costs, in relation to the IPO process.

Admission related bonuses
Admission related bonuses are one-off cash-settled bonuses, and the cash component of the Pre-IPO schemes, awarded in relation to the IPO process.

Admission related share-based payment charges
Admission related share-based payment charges were granted in the year, and relate to the Legacy Schemes, Pre-IPO and SIP awards.

Pension provision and recognition and remeasurement of pension indemnity
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.
As a result, £2,086,000 of the provision was released in the period ended 30 April 2021. The indemnification asset was correspondingly reduced by £1,806,000. In February 2021, Greetz and the Sellers entered into a settlement and agreed to settle the claim. As a result, a final payment of £542,000 was made to the Sellers. The Group has now settled in full with the Sellers. Only charges related to periods before Greetz was acquired by the Group have been treated as adjusting items.

Restructuring costs
Restructuring costs in 2020 relate to the reorganisation of the Group's operating model in order to prepare the Group for Admission onto the London Stock Exchange in 2021.

Cash paid in relation to adjusting items in the year of £10,789,000 (2020: £930,000).

6 Finance income and costs

Finance income

	2021 £000	Unaudited 2020 £000
Bank interest receivable	**686**	6
Interest receivable from other undertakings formerly under common control	**–**	936
Total finance income	**686**	942

Finance costs

	2021 £000	2020 £000
Interest payable on leases	**(755)**	(880)
Bank interest payable	**(2,107)**	(21)
Interest payable to entities formerly under common control	**(2,711)**	(1,374)
Amortisation of capitalised borrowing costs	**(226)**	–
Net foreign exchange loss on financing activities	**(673)**	–
Total finance costs	**(6,472)**	(2,275)

Net finance income/(costs)	**(5,786)**	(1,333)

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

	2021 Number	Unaudited 2020 Number
Admin	**309**	279
Production	**90**	89
Total employees	**399**	368

	2021 £000	Unaudited 2020 £000
Wages and salaries	**21,489**	17,357
Social security costs	**3,568**	3,044
Other pension costs[1]	**294**	4,258
Share-based payment expense	**27,303**	–
Total employee benefit costs	**52,654**	24,659

1 Includes movements on the provision for potential pension liabilities. See Note 5 and 13 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 consolidated income statement.

8 Taxation

Tax on gain on ordinary activities

	2021 £000	Unaudited 2020 £000
Profit before taxation	**32,868**	31,775
The tax charge is made up as follows:		
Current tax:		
UK corporation tax on profit for the year	**11,240**	1,017
Foreign tax charge	**542**	5
Adjustment in respect of prior years	**(164)**	(132)
Total current tax	**11,618**	890
Deferred tax:		
Origination and reversal of temporary differences	**(589)**	(298)
Impact of changes in tax law and rates	**-**	485
Adjustment in respect of prior years	**1,068**	–
Total deferred tax	**479**	187
Total tax charge in the income statement	**12,097**	1,077

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:

	2021 £000	Unaudited 2020 £000
Profit before taxation	**32,868**	31,775
Profit on ordinary activities multiplied by the UK tax rate	**6,245**	6,037
Effects of:		
Expenses not deductible for tax purposes	**7,771**	177
Non-taxable income	**(381)**	(274)
Losses surrendered/(claimed) from consortium companies	**(2,445)**	(5,115)
Effect of higher tax rates in overseas territories	**3**	45
Tax under/(over) provided in previous years	**904**	(271)
Change in UK deferred tax rate	**-**	18
Change in overseas deferred tax rate	**-**	467
Other permanent differences	**-**	(7)
Total tax charge for year	**12,097**	1,077

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

The effective tax rate is higher than the UK tax rate of 19%, which primarily reflects the non-deductible nature of the Legacy Incentives (refer Note 19), Admission related transaction costs (refer Note 5) and losses claimed from entities formerly under common control. If these are excluded, the effective tax rate is 20%, in line with the UK current tax rate 19% and the Dutch current tax rate of 25%.

9 Earnings per share

Basic earnings per share

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

Diluted earnings per share

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all potentially dilutive ordinary shares. The Group has potentially dilutive ordinary shares arising from share options granted to employees under the Pre-IPO and LTIP schemes.

Adjusted earnings per share

Earnings attributable to ordinary equity holders of the Group for the period, adjusted to remove the impact of adjusting items and the tax impact of these; divided by the weighted average number of ordinary shares outstanding during the period.

No comparative earnings per share is disclosed, as the existing capital structure has been in existence from Admission with the Incorporation of the Parent Company and subsequent formation of the new Group.

	Adjusted 2021 £000	**Statutory 2021 £000**	Unaudited Adjusted 2020 £000	Unaudited Statutory 2020 £000
Earnings attributable to equity holders of the Company (£000)				
Profit for the year	**61,337**[1]	**20,771**	38,181[1]	30,698
Number of shares				
Weighted average number of ordinary shares – Basic	**339,036,292**	**339,036,292**	N/a	N/a
Weighted average number of ordinary shares – Diluted	**345,625,737**	**345,625,737**	N/a	N/a
Earnings per share attributable to equity holders of the Company – continuing operations				
Basic earnings per share (pence)	**18.1**	**6.1**	N/a	N/a
Diluted earnings per share (pence)	**17.7**	**6.0**	N/a	N/a

1 Refer to the Alternative Performance Measures section for reconciliation.

10 Intangible assets

	Goodwill £000	Trademark £000	Technology and development costs[1] £000	Customer database £000	Software £000	Other intangibles £000	**Total £000**
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 (Unaudited)	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 (Unaudited)	–	1,449	5,994	2,609	238	1,311	**11,601**
Net book value 30 April 2020 (Unaudited)	6,459	7,250	8,933	12,632	315	262	**35,851**

	Goodwill £000	Trademark £000	Technology and development costs[1] £000	Customer database £000	Software £000	Other intangibles £000	**Total £000**
Cost							
1 May 2020	6,459	8,699	14,927	15,241	553	1,573	**47,452**
Additions	–	142	7,343	–	209	–	**7,694**
Disposals	–	–	(5,948)	–	(51)	–	**(5,999)**
Transfers	–	4	–	–	(4)	–	**–**
Foreign exchange	–	10	60	–	7	–	**77**
30 April 2021	6,459	8,855	16,382	15,241	714	1,573	**49,224**
Accumulated amortisation and impairment							
1 May 2020	–	1,449	5,994	2,609	238	1,311	**11,601**
Charge for the year	–	906	4,454	1,620	162	272	**7,414**
Disposals	–	–	(5,948)	–	(46)	–	**(5,994)**
Transfers	–	1	–	–	(1)	–	**–**
Foreign exchange	–	(24)	(40)	(42)	(3)	(10)	**(119)**
30 April 2021	–	2,332	4,460	4,187	350	1,573	**12,902**
Net book value 30 April 2021	6,459	6,523	11,922	11,054	364	–	**36,322**

[1] The technology and development costs comprise Assets under construction of £3,002,000 (2020: £2,694,000).

(a) Goodwill
Goodwill relates to the acquisition of Greetz in 2019, recognised within the Greetz CGU.

(b) Trademark
Included in the net book value of trademarks are trademarks relating to the acquisition of Greetz with finite lives. The remaining useful economic life at 30 April 2021 on the trademark is 7 years 4 months (2020: 8 years 4 months).

(b) Technology and development costs
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 remaining useful economic life at 30 April 2021 on the customer database is 9 years 4 months (2020: 10 years 4 months).

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

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

(g) Annual impairment tests

Goodwill
Goodwill is allocated to the appropriate cash-generating unit ('CGU') based on the smallest identifiable group of assets that generates cash inflows independently in relation to the specific 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 has performed its annual test for impairment as at 30 April 2021. The cash flow projections used in determining value in use of each CGU are based on the annual budget and the approved Group plan for the three years following the current financial year. In view of the Group's twenty-year history of growth, underpinned by the consistency of repeat purchase behaviour across annual customer cohorts, the Directors consider that it is appropriate to extend this by 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.

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

Greetz CGU	**2021**	Unaudited 2020
Pre-tax discount rate	**9.8%**	17.4%
Average medium-term revenue growth rate	**3.3%**	16.6%
Long-term growth rate	**2.0%**	2.0%

Discount rate
The Group calculates a Greetz CGU specific Weighted Average Cost of Capital ("WACC"), applying local government bond yields and tax rates. The discount rate applied to a CGU represents a pre-tax rate that reflects the market assessment of the time value of money as at 30 April 2021 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-life intangible assets
At each reporting period date, the Group reviews the carrying amounts of other finite-life 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.

11 Property, plant and equipment

	Freehold property £000	Plant and machinery £000	Fixtures and fittings £000	Leasehold improvements £000	Computer equipment £000	Right-of-use assets Plant and machinery £000	Right-of-use assets Leasehold Improvements £000	**Total £000**
Cost								
30 April 2019	3,999	4,733	1,019	4,337	2,586	–	–	**16,674**
Accounting policy change[1]	–	–	–	–	–	1,205	11,680	**12,885**
1 May 2019	3,999	4,733	1,019	4,337	2,586	1,205	11,680	**29,559**
Additions	–	884	(9)	93	268	20	175	**1,431**
Disposals	–	(243)	(40)	(288)	(737)	–	–	**(1,308)**
Foreign exchange	–	12	–	8	6	–	–	**26**
30 April 2020 (Unaudited)	3,999	5,386	970	4,150	2,123	1,225	11,855	**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	382	1,741	**3,974**
Disposals	–	(74)	(40)	(288)	(736)	–	–	**(1,138)**
Foreign exchange	–	4	–	–	3	–	–	**7**
30 April 2020 (Unaudited)	1,772	3,785	489	1,274	1,417	382	1,741	**10,860**
Net book value 30 April 2020 (Unaudited)	2,227	1,601	481	2,876	706	843	10,114	**18,848**

1 Relates to the IFRS 16 transition adjustment

	Freehold property £000	Plant and machinery £000	Fixtures and fittings £000	Leasehold improvements £000	Computer equipment £000	Right-of-use assets Plant and machinery £000	Right-of-use assets Leasehold Improvements £000	**Total £000**
Cost								
1 May 2020	3,999	5,386	970	4,150	2,123	1,225	11,855	**29,708**
Additions	–	2,110	276	2	671	55	–	**3,114**
Disposals	–	(711)	(1)	(15)	(379)	–	–	**(1,106)**
Modifications	–	–	–	–	–	–	396	**396**
Foreign exchange	–	(27)	–	(5)	–	12	(11)	**(31)**
30 April 2021	3,999	6,758	1,245	4,132	2,415	1,292	12,240	**32,081**
Accumulated depreciation and impairment								
1 May 2020	1,772	3,785	489	1,274	1,417	382	1,741	**10,860**
Charge for the year	160	819	272	401	449	398	1,819	**4,318**
Disposals	–	(691)	(1)	(1)	(372)	–	–	**(1,065)**
Foreign exchange	(1)	(6)	(1)	(1)	10	4	(38)	**(33)**
30 April 2021	1,931	3,907	759	1,673	1,504	784	3,522	**14,080**
Net book value 30 April 2021	2,068	2,851	486	2,459	911	508	8,714	**18,001**

12 Inventories

	2021 £000	Unaudited 2020 £000
Raw materials and consumables	**1,978**	2,089
Finished goods	**13,645**	953
Total inventory	**15,623**	3,042
Less: Provision for write off of:		
raw materials and consumables	**(149)**	(92)
finished goods	**(592)**	(53)
Net inventory	**14,882**	2,897

The cost of inventories recognised as an expense and included in cost of sales during the period amounted to £57,862,000 (2020: £32,054,000).

13 Provisions

	Restructuring provisions £000	Pension provisions £000	Other provisions £000	Dilapidations provisions £000	Total £000
At 1 May 2019	–	–	268	816	**1,084**
Charge for the year	928	3,327	105	–	**4,360**
Utilisation	(928)	–	(110)	–	**(1,038)**
Release of provisions in the year	–	–	(263)	–	**(263)**
Foreign exchange	–	(24)	–	–	**(24)**
At 30 April 2020 (Unaudited)	–	3,303	–	816	**4,119**

	Restructuring provisions £000	Pension provisions £000	Other provisions £000	Dilapidations provisions £000	Total £000
At 1 May 2020	–	3,303	–	816	**4,119**
Charge for the year	–	–	1,728	–	**1,728**
Utilisation	–	(867)	–	–	**(867)**
Release of provisions in the year	–	(2,613)	–	–	**(2,613)**
Foreign exchange	–	177	(31)	–	**146**
At 30 April 2021	–	–	1,697	816	**2,513**

Current provisions
Restructuring provisions costs relate to items discussed in Note 5.
Pensions provisions costs relate to items discussed in Note 5.
Other provisions relate to stamps and voucher provisions, and a royalty provision.
The above provisions are due to be settled within the year.

Non-current provisions
Dilapidations provisions relate to the Herbal House head office and these are non-current due to their settlement date.

14 Contract liabilities
In all material respects current deferred income at 1 May 2019 and 1 May 2020 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.

15 Borrowings

	2021 £000	Unaudited 2020 £000
Current		
Lease liabilities	**2,406**	2,224
Borrowings	**389**	–
Related party loan payables to undertakings formerly under common control	**–**	26,722
Non-current		
Lease liabilities	**9,626**	11,482
Borrowings	**168,682**	–
Total borrowings	**181,103**	40,428

The Group's sources of borrowing for liquidity purposes include the Senior Facilities Agreement executed on 7 January 2021. Liabilities arising from the Group's lease arrangements are also reported in borrowings. The Senior Facilities Agreement comprises a sterling (GBP) Term Loan B facility 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.

Term Loan B facility has a term of 60 months and was paid to an undertaking formerly under common control and used to refinance or otherwise discharge the existing debt of subsidiaries of the Former Parent Undertaking. 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. As at 30 April 2021, the RCF remains undrawn.

The Term 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 Senior Facilities Agreement is subject to an EBITDA to Senior Net Debt covenant of 4.50x until and including the year ending 30 April 2022, 4.00x until and including the year ended 30 April 2023 and 3.50x thereafter, tested semi-annually, with EBITDA and Senior Net Debt as defined in the Senior Facilities Agreement.

Borrowings are repayable as follows:

	2021 £000	Unaudited 2020 £000
Within one year[1]	**389**	26,722
Within one and two years	**–**	–
Within two and three years	**–**	–
Within three and four years	**–**	–
Within four and five years[2]	**168,682**	–
Beyond five years	**–**	–
Total borrowings	**169,071**	26,722

1 In the prior year this included related party loans from undertakings formerly under common control which are repayable on demand. Interest is accrued based on market rates pegged to the rates of the external borrowings of subsidiaries of the Former Parent Undertaking. There is no material difference between the above amounts for related party loans and their fair value due to the short-term duration.
2 Total borrowings include capitalised borrowing costs of £6,318,000.

Lease liabilities are repayable as follows:

	2021 £000	Unaudited 2020 £000
Within one year	**2,989**	2,974
Within one and two years	**2,556**	2,793
Within two and three years	**1,939**	2,225
Within three and four years	**1,929**	1,928
Within four and five years	**1,926**	1,926
Beyond five years	**2,728**	4,653
	14,067	16,499
Effect of discounting	**(2,035)**	(2,793)
Total lease liability	**12,032**	13,706

The table below details changes in liabilities arising from financing activities, including both cash and non-cash changes.

	Borrowings £000	Lease liabilities £000	**Total £000**
1 May 2019	25,242	–	**25,242**
Accounting policy change	–	15,128	**15,128**
Cash flow	(67)	(2,501)	**(2,568)**
Foreign exchange	173	4	**177**
Interest and other[1]	1,374	1,075	**2,449**
30 April 2020 (Unaudited)	26,722	13,706	**40,428**
Cash flow	166,759	(2,542)	**141,081**
Foreign exchange	–	113	**113**
Interest and other[2]	(24,410)	755	**(908)**
30 April 2021	169,071	12,032	**180,714**

1 Other movements in borrowings in 2020 comprise of Interest.
2 Other comprises amortisation of capitalised borrowing costs and non-cash movements with undertakings formerly under common control.

16 Share 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 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.

Called-up share capital
Ordinary share capital represents the number of shares in issue at their nominal value. In the current year, the share capital of the former Group has been replaced with the newly issued listed shares following the IPO. Ordinary shares in the Group post IPO are issued, allotted and fully paid up. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. The shareholding as at 30 April 2021is:

	Number	**£000**
Allotted, called-up and fully paid ordinary shares of £0.10 each	342,111,621	**34,211**

As at 30 April 2021, ordinary share capital represents 342,111,621 (2020: nil) ordinary shares with a par value of £0.10.

Invested capital
Invested capital represented the total equity of the Group, prior to the restructuring. In 2020 this included a non-cash settlement from dividends declared of £25,527,000, prior to the Incorporation of the Cards Holdco Limited entity.

Share premium
Share premium represents the amount over the par value which was received by the Group upon the sale of the ordinary shares. Upon the date of listing the par value of the shares were £0.10 but the initial offering price was £3.50. Share premium is stated net of direct costs of £982,000 relating to the issue of the shares.

Other reserves
Other reserves represent the share-based payment reserve and the foreign currency translation reserve.

	Share-based payment reserve £000	Foreign currency translation reserve £000	**Total other reserves £000**
At 1 May 2019	–	–	**–**
Investment in Cards Holdco Limited		(16)	**(16)**
Other Comprehensive Income	–	23	**23**
30 April 2020 (Unaudited)	–	7	**7**
1 May 2020	–	7	**7**
Other Comprehensive Income	–	(232)	**(232)**
Share-based payment charge (excluding National Insurance)	27,240	–	**27,240**
30 April 2021	27,240	(225)	**27,015**

17 Related party transactions

Transactions with related parties
The Group has transacted with entities formerly under common control which are presented below. Going forward, the only related party transaction with related parties formerly under common control is the Other Income noted below. Transactions with subsidiaries of the Former Parent Undertaking ceased with the restructuring.

	Year ended 30 April	
	2021 £000	Unaudited 2020 £000
Revenues from other related parties formerly under common control[1]	**2,458**	2,349
Costs incurred from other related parties formerly under common control	**4,329**	6,239
Costs incurred from related parties formerly under common control	**–**	449
Interest receivable from related parties formerly under common control	**–**	826
Interest payable to related parties formerly under common control	**(2,711)**	(721)

1 This includes £1,482,000 (2020: £nil) of related party income recognised within Other Income.

At the balance sheet date, the Group had the following balances with entities formerly under common control:

	As at 30 April	
	2021 £000	Unaudited 2020 £000
Trade and other receivables from other related parties formerly under common control	**210**	463
Other receivables from related parties formerly under common control	**–**	34,819
Trade and other payables with other related parties formerly under common control	**(3,330)**	(3,776)
Trade payables with related parties formerly under common control	**–**	(2,036)
Borrowings with related parties formerly under common control	**–**	(26,722)

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.

18 Related undertakings

A full list of subsidiary undertakings as defined by IFRS as at 30 April 2021 is disclosed below. Titan Midco Limited is held directly by the Company and all other subsidiary undertakings are held indirectly.

The equity shares held are in the form of ordinary shares or common stock. The effective percentage of equity shares held in subsidiary undertakings is 100% in all cases.

Subsidiary Undertakings	Country of Incorporation	Principal activity
Cards Holdco Limited[1]	England and Wales	Trading company, management services
Moonpig.com Limited[1]	England and Wales	Trading operations
Titan Holdco Limited[1]	England and Wales	Dormant company
Titan Debtco Limited[1]	England and Wales	Dormant company
Titan Midco Limited[1]	England and Wales	Holding company
Titan Bidco Limited[1]	England and Wales	Dormant company
Horizon Bidco B.V.[2]	Netherlands	Holding company
Venspro B.V.[2]	Netherlands	Trading company, management services
Greetz B.V.[2]	Netherlands	Trading operations
Greetz Base B.V.[2]	Netherlands	Dormant company
Full Colour B.V.[2]	Netherlands	Trading company

1 Registered office address is Herbal House, 10 Back Hill, London, EC1R 5EN.
2 Registered office address is Laarderhoogtweg 20, 1101 EA, Amsterdam, Noord-Holland.

19 Events after the balance sheet date

Subsequent to the financial year end, application has been made to strike each of Titan Holdco Limited, Titan Debtco Limited and Titan Bidco Limited off the Companies register.

Subsequent to the financial year end, two internal mergers within the Greetz subgroup structure were initiated with documents filed with the relevant authorities. As at the date of this announcement, these mergers have not yet concluded.

ALTERNATIVE PERFORMANCE MEASURES

Adjusted EBITDA

Adjusted EBITDA is a measure of the Group’s operating performance and debt servicing ability. It is calculated as operating profit adding back depreciation and amortisation and adjusting items (Note 5).

Depreciation and amortisation can fluctuate and is a non-cash adjustment relating to previous acquisitions and is not linked to the ongoing trade of the Group.

Adjusting items are excluded as management believe their nature distorts trends in the Group’s underlying earnings. This is because they are often one-off in nature or not related to underlying trade.

A reconciliation of operating profit to Adjusted EBITDA is as follows:

	2021 £000	Unaudited 2020 £000
Operating profit	**38,654**	33,108
Depreciation and amortisation	11,732	9,868
Adjusting items	41,742	1,427
Adjusted EBITDA	**92,128**	44,403

Adjusted EBIT

Adjusted EBIT is the profit before tax, net finance costs (or operating profit), and before adjusting items.

	2021 £000	Unaudited 2020 £000
Operating profit	**38,654**	33,108
Adjusting items	41,742	1,427
Adjusted EBIT	**80,396**	34,535

Adjusted PBT
Adjusted PBT is the profit before tax and before adjusting items.

	2021 £000	Unaudited 2020 £000
PBT	**32,868**	31,775
Adjusting items	41,742	1,427
Adjusted PBT	**74,610**	33,202

Adjusted PAT
Adjusted PAT the profit after tax, before adjusting items and the tax impact of these adjustments.

The adjusted PAT is used to calculate the underlying basic earnings per share in Note 9.

	2021 £000	Unaudited 2020 £000
PAT	**20,771**	30,698
Adjusting items	41,742	1,427
Tax impact of the above	(1,176)	-
Adjusted PAT	**61,337**	32,125

Net debt
Net debt is a measure used by the Group to measure the overall debt position after accounting for cash held by the Group.

The calculation is as follows:

	2021 £000	Unaudited 2020 £000
Borrowings	(169,071)	(26,722)
Lease liabilities	(12,032)	(13,706)
Cash and cash equivalents	66,020	12,079
Net debt	**(115,083)**	(28,349)

Ratio of net debt to Adjusted EBITDA
The ratio of net debt to Adjusted EBITDA helps management to measure its ability to service debt obligations. The calculation is as follows:

	2021 £000	Unaudited 2020 £000
Net debt	**(115,083)**	(28,349)
Adjusted EBITDA	**92,128**	44,403
Net debt to Adjusted EBITDA	**1.25:1**	0.64:1

Operating cash conversion

Operating cash conversion is operating cash flow divided by Adjusted EBITDA, expressed as a ratio.

The calculation of operating cash conversion is as follows:

	2021	Unaudited 2020
Profit before tax	**32.9**	31.8
Add back: Net finance costs	**5.8**	1.3
Add back: Adjusting items (excluding Share-Based Payments)	**14.6**	1.4
Add back: Share-Based Payments	**27.1**	0.0
Add back: Depreciation and Amortisation per the Income Statement	**11.7**	9.9
Adjusted EBITDA	**92.1**	44.4
Less: Capital expenditure (Fixed Assets)	**(10.8)**	(7.7)
Add back: Increase in inventories	**(12.0)**	(0.2)
Add back: Increase in trade and other receivables	**(1.8)**	(1.1)
Add back: Increase/(decrease) in trade and other payables	**29.7**	15.6
Operating cash flow	**97.2**	51.0
Operating cash conversion	**106%**	115%
Add back: Capital expenditure (Fixed Assets)	**10.8**	7.7
Add back: Increase / (decrease) in debtors and creditors with undertakings formerly under common control	**(3.1)**	3.5
Less: Adjusting items (excluding Share-Based Payments)	**(14.6)**	(1.4)
Less: Non-cash movement with undertakings formerly under common control	**(25.4)**	0.0
Less: Research and Development tax credit	**(0.5)**	(0.3)
Less: Depreciation and Amortisation per the Income Statement[1]	**(11.7)**	(9.9)
Add back: Depreciation and Amortisation per the Cash Flow[1]	**11.7**	10.4
Cash generated from operating activities	**64.4**	61.0

[1] Depreciation and amortisation as charged in the Consolidated Income Statement is stated after recharges to other undertakings formerly under common control. Following the entering of a sublease over space at the Group's head office premises effective 1 May 2020, these recharges have ceased.