SimplyBiz Group

ANNUAL REPORT & ACCOUNTS 2018

Customer-led.
Data-driven.
Innovation.

The UK's largest provider of outsourced regulatory and business development support to retail financial services firms.

The SimplyBiz Group provides regulatory and business support to professionals operating within the financial services market. Since our inception back in 2002, we have grown year on year to become the largest in our sector.

www.simplybizgroup.co.uk

In this report

Highlights

Financial highlights

Revenue (£000)

£50,686k

+15.0%

Adjusted EBITDA* (£000)

£11,419k

+19.7%

Operating profit (£000)

£6,757k

-23.2%

Adjusted profit after tax* (£000)

£8,579k

+61.6%

Net (debt)/cash (£000)**

£6,403k

+127.9%

Operational highlights

- Completion of IPO on London's AIM, raising £30 million for the Group
- Acquisition completion and integration of Landmark Surveyors Limited (January 2018)
- Important contract wins in both divisions, including Unum and Howard Kennedy in Intermediary Services and VitalityInvest in Distribution Channels
- Member Firms increased by 8.5% to 3,726 (31 December 2017: 3,433)
- Launch of end-to-end financial planning system, Centra; 2,300 users signed since its launch in March 2018
- Winner of Best Support Services for Advisers at 2019 Professional Advisers Awards
- Final dividend proposed of 2.05 pence per share, in respect of the nine months trading to 31 December, post IPO, as per the stated intention in the Admission Document. Total dividend of 3.03 pence per share

* A reconciliation to GAAP measures is provided in note 8.

** Net debt is calculated as cash and cash equivalents less borrowings.

The SimplyBiz Group... safeguarding the future

The continued provision of professional advice is absolutely vital to ensuring ongoing financial wellbeing, both on a personal and societal level. Just as important is education and the improvement of financial competency, which inevitably leads to less negative debt and more considered monetary decisions in adulthood.

The SimplyBiz Group recognises the importance of not only access to advice but also access to information, and has put a significant amount of work into creating initiatives designed to protect the sustainability of the financial services industry.

During 2018, we launched two of these initiatives:

+ See more about our apprenticeship programme on page 5

+ See more about the Young Person's Guide To Money initiative on page 13

Introduction

About us

The SimplyBiz Group consists of 13 market-leading brands across the UK, covering a broad spectrum of markets, each sharing our core principles of exceptional customer service and high-quality propositions.

Our market-leading brands

SimplyBiz

SimplyBiz Services is the cornerstone upon which The SimplyBiz Group of companies was built. The business launched in 2002 with a groundbreaking proposition designed to provide directly authorised financial advisers with a new level of support and service previously unseen in this sector.

SimplyBiz Mortgages

Established in 2004, SimplyBiz Mortgages has grown to be one of the top three mortgage clubs in the UK, supporting over 3,700 mortgage intermediates as at 31 December 2018.

SimplyBiz Investment Services

SimplyBiz Investment Services provides everything an adviser needs to deliver exceptional client outcomes from an efficient, compliant and robust investment process.

MBA New Model Business Academy

The New Model Business Academy was launched in 2008 as a unique and groundbreaking not-for-profit organisation, dedicated to the training and development of financial advisers and their support staff.

Consumer Credit Centre

The Consumer Credit Centre was created in response to the change in regulation that would impact companies in this market and require full FCA regulation.

FIBA Financial Intermediary & Broker Association

Launched in January 2018, The Financial Intermediary & Broker Association ("FIBA") is a new member organisation dedicated to supporting all types of professional finance intermediaries in growing their businesses and delivering excellent products and services to their clients.

Sonas Surveyors **Gateway Surveyors**

Home Information Group operates under the trading brands of Gateway Surveyors and Sonas Surveyors and has established itself as one of the UK's leading suppliers of valuation and panel management services.

SIFA

Founded in 1992 to provide support to financial advisers which work with solicitors, SIFA is now the pre-eminent organisation in its field and is recognised both by the Law Societies and by the Financial Conduct Authority.

Compliance First

Established in 2000, Compliance First is Scotland's premier provider of compliance and business support services to directly authorised financial advisers. Compliance First proudly supports advisers based in Scotland, the North of England and Northern Ireland with a uniquely personal service.

verbatim Asset Management

Verbatim Asset Management is The SimplyBiz Group's investment offering and was launched in 2010 with a simple remit – to deliver against client expectations.

It does this through a series of risk-managed multi-asset investment solutions, each one having a clear mandate to deliver against a proven asset allocation, based on a client's risk profile.

zest.

Zest is an award-winning provider of software for employee benefits communication, enrolment and administration which has positioned itself firmly at the front of the workplace technology market.

Landmark Surveyors

Established in 2007, Landmark is a fully regulated RICS practice, specialising in the survey and valuation of residential property.

aps Legal & Associates

Professional Will Writing & Legal Specialist Estate Planning Practitioners

APS Legal & Associates is one of the largest estate planning and will writing companies in the UK, and is unequalled in providing the highest standard of service and quality of advice.

www.simplybizgroup.co.uk/companies

Chairman's statement

A year of significant growth

2018 saw positive progression in every area of the Group's activities.

Ken Davy

As Chairman of The SimplyBiz Group, I am delighted to report an extremely positive set of results following our listing on the London Stock Exchange's AIM almost 12 months ago.

The SimplyBiz Group has moved forward in every area of its activities during 2018, generating significant growth in both turnover and profitability. To have achieved these results, despite the distraction and massive additional workload generated by the flotation, is a tribute to the Group's high quality management team. In respect of the IPO, I would like to pay particular tribute to the commitment and drive of Sarah Turvey, without whose dedication the IPO would have been a much greater disruption for the management team as a whole, and therefore significantly more challenging for the Group to have achieved the excellent growth it has enjoyed in 2018.

I am pleased to report that, for the first time in the Group's history, turnover has exceeded £50 million, along with a 20% increase in adjusted EBITDA (as defined in note 8) to over £11 million, whilst adjusted profits after tax exceeded £8.5 million. These results are very encouraging for all concerned and highlight our proud record of growth since SimplyBiz was founded in 2002. The Directors are recommending a final dividend of 2.05 pence per share, making a total for

"I am confident that the financial services market will continue to grow and the demand for the regulatory and business support provided by The SimplyBiz Group will continue to increase."

Ken Davy

our first nine months as a public company of 3.03 pence per share, which I am pleased to say is ahead of our original expectation at the time of flotation.

Over the years, we have developed into a diversified Group, supporting a wide breadth of intermediaries, in the financial advice, mortgage, protection, consumer credit, legal services and workplace markets. Similarly, the range of services we offer has expanded dramatically and, whilst regulatory compliance and business support will always be our main focus, we have the experience, expertise, infrastructure and technology needed to provide help and guidance at every stage of our customers' professional journeys.

From our Yorkshire base, our Group now operates from seven locations across the UK, employing over 420 dedicated professionals, supporting – as at 31 December 2018 – over 3,700 advisory businesses across the UK. They are served by a fantastic team of committed, hardworking and specialist staff, without whose dedication and can-do attitude the success we have achieved would not have been possible. On your behalf and personally I would like to extend our gratitude to them. Additionally, I would like to thank my fellow Board members and our equally dedicated Non-Executive Directors for their support and commitment over the past 12 months.

In almost five decades in financial services, I have never experienced a time when consumers have had a greater need for high quality professional financial advice than exists today. This already high demand is being further exacerbated by the political and economic machinations surrounding Brexit. It is self-evident that this increased volatility and market uncertainty is creating an even greater need for financial advice. As a result I am confident that the financial services market will continue to grow and that the demand for the regulatory and business support provided by The SimplyBiz Group will continue to increase.

To meet this demand you may be confident that our Group will continue to invest in training staff and, where necessary, recruiting new talent, in addition to expanding our range of services and acquiring new businesses where we see benefit and opportunity. The key to our success and growth has been our willingness to diversify into new and emerging markets, combined with our ability to understand how compliance and regulation affect these markets and the businesses within them. Our significant and growing investment in technology, such as our employee benefits software division, Zest, and our innovative investment advice system, Centra, has proven extremely beneficial and we anticipate the benefits of this work emerging throughout 2019.

In closing, I am confident of the future growth, development and success of The SimplyBiz Group, and I very much look forward to updating you further as the year progresses.

Ken Davy
Non-Executive Chairman

"The key to our success and growth has been our willingness to diversify into new and emerging markets."

Apprenticeship programme

On 1 February 2018, the not-for-profit division of The SimplyBiz Group, the New Model Business Academy ("NMBA"), launched the only financial adviser apprenticeship available in England. The launch was the pinnacle of many months of work to secure government funding for elements of the scheme, build a curriculum and have it approved by the relevant accredited bodies. NMBA is wholly responsible for conducting the learning programme and developing the apprentices' portfolios to ensure they meet the required standard. In addition, NMBA facilitates the gateway decision on apprentice readiness, provides tuition and facilitates the case study test and viva to ensure compliance with the independent assessor's controlled conditions.

The Financial Adviser Apprenticeship programme was fully subscribed from launch and we now have a cohort of 80 students ready to graduate after their first year of combined study and on-the-job training.

Following the success of the launch of NMBA's Financial Adviser Apprenticeship, in November 2018 we launched the Paraplanner Apprenticeship. Paraplanning is a less widely understood role than that of a traditional financial adviser, and there is less structure around qualifications and specific responsibilities. However, the Paraplanner Apprenticeship was also fully subscribed pre-launch and we forecast a further 80 students will begin this programme during the coming 12 months.

Joint Chief Executive Officers' statement

Committed to securing growth

Dedicated to creating a strong and successful future for the business, our clients, staff and shareholders.

Neil Stevens Matt Timmins

The SimplyBiz Group: at the heart of the retail financial services sector

With over 3,700 Member Firms in the UK, SimplyBiz is a leading independent provider of compliance and business services to financial advisers, including directly authorised IFAs, directly authorised mortgage advisers, workplace consultants and directly authorised consumer credit brokers. It also provides marketing and promotion, product panelling and co-manufacturing services to more than 135 financial institutions, through access to its membership.

The membership firms pay a monthly subscription fee and then purchase additional services and technology licenses to suit their individual business needs. Its regulatory and capital light model focuses on helping the firms it serves to be both compliant and successful, ensuring that they are able to provide consumers with the very best personal service and professional advice.

Overview

2018 was a significant year for SimplyBiz, with the period marking the Group's successful admission to AIM in April 2018, a pivotal and important step in its growth ambitions. The Group has performed strongly over the year, with profits exceeding expectations, as it continues to execute its organic and inorganic growth strategy.

> "We have worked hard to contribute to the future success and sustainability of the financial services profession."
>
> **Neil Stevens** **Matt Timmins**

The Group continued to invest in its talent base and, in particular, strengthened its compliance and policy teams at every level throughout the Group, to cater to an increase in Member Firms requiring compliance and regulation services in an increasingly complex and regulated market.

Revenue grew by 15.0% to £50.7 million, reflecting a £3.7 million contribution from the acquisition of Landmark Surveyors (from 23 January 2018) and £2.9 million (6.6%) of organic growth (calculated as the year on year increase in revenue, excluding the impact of acquisitions). Group membership numbers increased by 8.5% to 3,726.

Strong revenue growth converted to strong adjusted EBITDA growth (as defined in note 8), which increased 19.7% to £11.4 million, reflecting a prudent approach to cost control and the business' ability to generate operational leverage from its platform. Adjusted EBITDA margin increased to 22.5% from 21.7% in the prior year.

Divisional performance

The Group's ability to increase its support to existing Members, whilst diversifying into new and adjacent markets has been key to its growth and success.

At the time of its launch in 2002, the Company worked with independent financial advisers, focussed on wealth accumulation and decumulation. As the Group has evolved, it has successfully penetrated new markets including mortgages and protection, consumer credit, will writing and estate planning and workplace.

The Group operates two divisions within the business: Intermediary Services and Distributions Channels.

The Intermediary Services division provides compliance and business services to over 3,700 individual intermediary firms through a comprehensive membership model. The Group's membership, which includes financial advisers, mortgage advisers, and consumer credit broker firms, conduct regulated activities that require that they are authorised and regulated by the FCA. Member Firms increased by 8.5% to 3,726 (3,628 at 30 June 2018 and 3,433 at 31 December 2017), which saw revenues increase by 5.0% to £23.3 million as a result of growth in both membership fees and software licence income. This was offset by declining income for employee benefit software as customers transitioned over to the new Zest Technology Platform.

With an increase in regulation, including the introduction of the Markets in Financial Instruments Directive 2018 ("MiFID II"), the General Data Protection Regulation ("GDPR"), and Insurance Distribution Directive ("IDD"), the Group has seen higher uptake by clients in additional services. Additional services income increased by 7.1% to £4.5 million, demonstrating that SimplyBiz is a clear beneficiary of changing regulation.

In addition, 2019 will see the requirement for all solo-FCA regulated firms to implement the Senior Manager & Certification Regime ("SM&CR"). The Group remains well positioned to provide its clients with market-leading practical guidance and a range of services that will ensure a smooth and seamless transition to meet the requirements of the new regime, as well as providing support for advisers on an ongoing basis.

The Group has continued to invest in software development, which saw the launch of Centra in March 2018. Centra is an investment advice support platform, designed in consultation with advisers to be a 'one-stop-shop' for financial planning. Centra gives advisers seamless access to product research, product comparisons, independent ratings, risk and asset allocation tools and Suitability Reports, making it one of the most comprehensive in the sector. More than 2,300 advisers adopted Centra in the nine months to 31 December 2018, since its launch.

In addition, the Group continues to re-sell industry leading back office software to its membership base and users increased from 3,274 at 31 December 2017 to 4,280, contributing to a 24.8% increase in software licence income from FY17.

Following the Group's significant investment into Zest, the employee benefits software segment of the Intermediary Services division, it secured several long-term contracts from well-known names including UNUM and Howard Kennedy. The Group is confident that Zest will become one of the leading choices for companies offering flexible benefits to their employees.

The Distribution Channels division continues to provide a highly effective, efficient distribution channel for circa 135 financial institutions to reach an otherwise fragmented independent intermediary sector. The firms that the Group serves rely on SimplyBiz to provide them with relevant and timely information about product manufacturers' services and products, collectively facilitating better outcomes for clients. Revenues in this division increased by 25.2% to £27.4 million, and contributed 54% of Group revenue in the period, compared to 50% in 2017, partly as a result of the Landmark Surveyors acquisition.

The Group has continued to build on its extensive events programme to cater for the needs of Members, and allows product providers the opportunity to deliver engaging information that will enhance advisers' knowledge and continue to improve customer outcomes. As well as delivering a significant number of events and seminars in the period, the Group also provided a broad range of electronic and printed materials to deliver product provider brand and product communications to its Members. The Group's marketing services present its strategic partners with the opportunity to access over 25% of the retail financial service marketplace. Income in the period from these relationships increased by 11.6% (£0.7 million) to £6.9 million, from £6.2 million in FY17, due to the Group's growing market reach as it continues to partner with the UK's leading insurance, investment, credit and mortgage providers.

Joint Chief Executive Officers' statement continued

Divisional performance continued

SimplyBiz Mortgages is the UK's third largest mortgage club, with over 1,600 members benefitting from access to a dedicated support service and preferred products from key lenders. Mortgage Services revenues increased by 14.1% to £6.5 million (FY17: £5.7 million), as a result of higher levels of lending through the Group's mortgage club.

Market Overview

The Group firmly believes that demand for its services will continue to grow, due to the widely acknowledged increase in regulatory pressures and increased propensity to outsource. Furthermore the transfer of personal wealth from generation to generation means that professional advice, tax and estate planning will become increasingly important to their clients.

Retirement and later life planning has never been more important following the arrival of pension freedoms in 2015. The management team also believes that the continued increase in demand for equity release will gradually move these products into more mainstream lending and reinforce the need for financial advice.

A continuation of the culture of trust between consumers and independent financial advisers has seen client numbers increase, reflecting demand for long-term savings, investment, insurance and tax needs.

SimplyBiz strongly believes in the value of high-quality financial advice and positive outcomes for consumers and it will continue to act as a market enabler in this highly fragmented space, to improve its delivery throughout the UK.

Strategy

With the Company in a robust financial position following its successful listing on AIM in April 2018, the Group continues to pursue its strategy of both organic growth and growth by acquisition. Key to the Group's success and growth is its ability to increase its support for existing customers whilst diversifying into new markets which are strategically linked.

An increasing membership base, continued investment in its expanding service offering, and subsequent growth in average revenue per customer will allow SimplyBiz to build upon its continued organic growth.

The high rates of growth in the Group's core membership base will in turn enable the expansion of the Distribution Channels division, strengthening the Group's ability to offer distribution services to product manufacturers.

The SimplyBiz Group – Timeline

2002
- Founder Ken Davy recognised an opportunity to support financial advisers in the directly authorised space, and SimplyBiz was launched.

2004
- A joint venture was formed to penetrate a new marketplace, with the launch of SimplyBiz Mortgages.

2005
- Membership hits the milestone of 1,000 firms.

2007
- The acquisition of Compliance First further strengthened our team.
- SimplyBiz is named as one of The Sunday Times' Fast Track 100 firms of the year.

2008
- SimplyBiz Mortgages is fully acquired.
- SimplyBiz wins the Professional Adviser Award, for Best IFA Network/ Service Provider.

2009
- NMBA, the not-for-profit division of the Group, is launched to support financial services professionals with education and development.
- SimplyBiz is again successful at the Professional Adviser Awards.

2010
- Verbatim Asset Management is launched.

2011
- SimplyBiz acquires SIFA.

With its strong financial position, combined with the strength of its services offering, the Group will continue to scope out opportunities to develop and enhance the business through selective acquisitions within this highly fragmented marketplace.

A responsible industry participant

The training and development division of SimplyBiz has worked hard to contribute to the sustainability of the financial services profession.

During 2018, the Group launched both the UK's only financial adviser academy programme and a paraplanner apprenticeship; both have been fully subscribed since launch. In addition, the firm is a strong advocate of improving financial competency amongst consumers and it has worked with its partners to create and distribute "The Young Person's Guide To Money" financial education campaign. Tens of thousands of SimplyBiz's brochures have now been distributed by financial advisers to young people across schools and colleges, and feedback on the scheme has been extremely positive.

The Group will continue to offer support and guidance to financial services professionals at every point in their career, from embarking on an apprenticeship scheme to starting a business, and from applying to the FCA for authorisation to operating a compliant and successful intermediary practice and, eventually, succession planning for the future.

Outlook

The Board strongly believes that SimplyBiz is well placed to continue to take advantage of the opportunities that arise within the markets it operates in, and that its strong business model positions it for continued growth to deliver a successful year ahead for the business, clients, staff and shareholders.

Matt Timmins and Neil Stevens
Joint Chief Executive Officers
The SimplyBiz Group

2012
- SimplyBiz is again named the Professional Adviser Awards' Best IFA Network/ Service Company.
- SimplyBiz celebrates its first decade in business.

2013
- Professional Adviser recognises SimplyBiz with its fourth award for Best IFA/Service Provider.
- Staffcare (now Zest) is acquired by SimplyBiz.

2014
- SimplyBiz Mortgages wins the Mortgage Strategy Award for Best Mortgage Distributor.
- SimplyEnrol, SimplyBiz's bespoke auto enrolment proposition, is launched.
- SimplyBiz Mortgages' CEO, Martin Reynolds, joins the board of the Association of Mortgage Intermediaries.
- SimplyBiz launches the Consumer Credit Centre.
- SimplyBiz purchases the Home Information Group.

2015
- The SimplyBiz Group is formed officially uniting the Group companies under one umbrella.

2016
- SimplyBiz Investment Services is launched, enhancing the support we offer.

2017
- NMBA Workplace Solutions is launched.
- The newest version of our protection proposition, SimplyProtect V7, attracts 1,400 users in its first 12 months.
- The Financial Intermediary and Broker Association ("FIBA") is launched.

2018
- The Group wins the Professional Adviser Award for Best Support Service for Advisers.
- SimplyRefer is launched.
- Centra, our exclusive end-to-end investment system for adviser firms, is launched in March and 2,300 advisers adopt the system before the end of the year.

2012 2013 2014 2015 2016 2017 2018

Creating value for our stakeholders

Our business model is designed to benefit stakeholders, and be flexible enough to grow with future business expansion and diversification.

Our key relationships

- **Product providers**
- **Intermediaries**
- **Customers**
- **Employees**
- **Shareholders**
- **Regulators**

What we offer

Intermediary Services Division

- Membership
- Additional Services
- Software
- Employee Benefits software

Distribution Channels Division

- Marketing services
- Mortgage panel and transaction services
- Protection insurance and general insurance panel
- Group's own investment products

What makes us different

Relationships

- Since its launch in 2002, The SimplyBiz Group has maintained a reputation of integrity, transparency and delivering on its promises. This has allowed us to build strong and mutually beneficial relationships with advisers, brokers, product providers, lenders and technology services companies.
- In addition, we have also built relationships with trade organisations, accredited bodies and regulators, which enable us to be involved in decisions that effect our sector and strengthen the services we offer to the firms who use our services.

Expertise

- As leader in our field, we are able to not only employ the best talent in the industry but also offer and fund a breadth of training opportunities to the Group team. As a result, our 420+ strong team remains amongst the most qualified, expert and experienced in our field.

Regulatory environment

- Proper regulation of the financial services industry is essential for ensuring good outcomes for clients. However, it also creates a heavy burden for advisers and brokers which could intrude upon the time they could be spending more valuably with their clients.
- The SimplyBiz Group's role is to support intermediaries with regulatory demands, and those in other business areas which are necessary but non-core for advisers. As regulation continues to change, the services we provide will remain in demand from advisers and brokers in order to keep their businesses compliant.

Thought Leadership

- Another important part that The SimplyBiz Group plays is that of spokesperson for the adviser and broker community. As a respected voice within the industry, we are at the forefront of discussions on changing policy or legislation, with the regulator, industry bodies or in the press, ensuring that the views of advisers are heard and their interests represented on a sector-wide stage.

How we create value

For shareholders

- As set out in the Admission Document at the point of IPO, the Group has committed to a progressive dividend of one-third of profit after tax, with the remaining two-thirds re-invested in the organic and inorganic growth of the business.

For Members

- The SimplyBiz Group works hard to constantly anticipate, and respond to, the changing needs of the firms that use our services. Whilst regulatory support will always be the core of what we provide, we support the entire business of our Members at every stage of their career, doing all we can to ensure advice firms of any size can remain compliant, successful and profitable.

For employees

- The dedicated, experienced and qualified employees of The SimplyBiz Group are critical to delivering the highest possible quality of service to our customers on both the intermediary and distribution sides of the business. Following the flotation of the Group, we invited our team to participate in a share option scheme, and we also ensure that training and development opportunities are available all to help them progress along their chosen career path.

For the industry

- The value of professional advice for consumers has been proven many times over, and the services provided by advisers and brokers is beneficial on both an individual level for consumers, and also wider societal and economical levels. For these reasons, we remain absolutely committed to fighting the corner of the adviser community at every opportunity and promoting broader access to both financial advice and financial education.

Markets

Clear market for continued growth

We operate in a growing market, with strong fundamentals and a propensity to innovate.

IFA growth and the move to direct authorisation

Research supports our view that the IFA market is growing in totality, and there has been a steady shift by IFAs to the directly authorised model that in turn supports growth in our Intermediary division.

Our response:

- As our core offering we continually invest in our compliance services and provide a comprehensive service to help IFAs through the authorisation process.
- Our Consumer Credit offering, launched in 2014, was a direct response to the changes in regulation of this industry.

Intermediary businesses have strong trading and sound fundamentals

Industry analysis shows that IFAs' income, and consumer reliance on these businesses is increasing – our business model directly benefits from this growth through our membership offering.

Our response:

- As the complexities and support requirements of our membership grows we continually offer new and innovative solutions to support their business to succeed as they grow.
- We thoughtfully enter new markets where growth is seen, most recently by way of our positioning in the Discretionary Fund Management sector.

Increased propensity to outsource

The Directors have observed an increased propensity of directly authorised firms to buy in services from compliance support providers.

Our response:

- During 2018 we continued to invest in our Compliance team and infrastructure to ensure that our services remain attractive to this increasing market.
- We developed our proposition to address the new GDPR regulations and are preparing for the launch of the Senior Managers & Certification Regime ("SM&CR") in 2019.

Mortgage market increasing intermediation

The mortgage market review in 2014, leading to rapid expansion in the Group's mortgage club and transaction services to mortgage lenders.

Our response:

- The 2014 acquisition of Home Information Group Limited strengthened our positioning in this market.
- Our 2018 acquisition of Landmark Surveyors Ltd will further assist the Group in continuing to exploit the structural shift to the intermediary sector.

Increased regulation from multiple regulators

The Group has developed and grown its services in anticipation of, and in response to, the evolving regulatory landscape. There have been numerous regulatory reviews, often leading to the introduction of new legislation, that affect the way in which financial intermediaries conduct business.

Our response:

- The recent introduction of MiFID II in 2018 is expected to lead to increased use of technology and centralised research by financial advisers and was a key driver of the development of our CENTRA solution.
- The introduction of the General Data Protection Regulation led to us launching our GDPR Hub to our Members as well as discounts on email encryption software licences.
- We continue our work on offering our Members suitable solutions in response to the revised SM&CR.

Positioned for growth

Growing our business through organic growth, acquisition and innovation. A focus on and development of proven formats and channels provides a strong platform complemented by entry into adjacent markets and strategic acquisition. Our strategy has three core values:

Customer-led.

Focus on our customer base

Launching new services to suit the needs of our customers including our SM&CR solution (in response to the new regulations), Simply Insights and further development of CENTRA

Data-driven.

Leveraging our commercial intelligence to tailor our service offerings to our customers

Working with our partners and Members as a market enabler to ensure that the most appropriate products are readily available to consumers, through an efficient distribution channel

Innovation.

Widening out into new and complementary markets to broaden our offering

Further advances into the Discretionary Fund Manager and large IFA firm markets

Young Person's Guide To Money initiative

Despite the inclusion of financial capability in the National Curriculum, schools continue to experience difficulty in allocating time and space in the curriculum to deliver financial education. Although children in schools and colleges are not likely to have to make financial decisions until they leave education, over the longer term, an increase in financial awareness should increase the likelihood of adults starting to save earlier in their lives and decrease the likelihood of them getting into debt. It is also thought that people who have a greater understanding of their financial affairs are more likely to seek financial advice, due to understanding the complexities involved in certain financial decisions. Perhaps more financial education may even inspire people to become the next generation of financial advisers.

With schools currently failing to adequately deliver what is required of them, we realised that there was an excellent opportunity for the advice sector to support the delivery of financial education in schools and colleges. The NMBA engaged with other supporters of financial education and delivered an initiative to develop various resources, which our Member Firms use to deliver short educational sessions to pupils across a range of age groups within schools and colleges. During 2018, the NMBA distributed over 10,000 sets of the Young Person's Guide To Money booklet and presentation collateral to advisers to be used in schools and colleges.

Although the results of this campaign are not easy to immediately measure, the feedback we have received from those who have delivered the material and their students has been unanimously positive. During 2019, we intend to further extend the Young Person's Guide To Money programme, with a particular focus on working with young people in care, who are some of the most vulnerable in the country.

Financial review

2018 was a pivotal year for the Group

The high level of revenue visibility and recurring nature of revenues give the Directors confidence for 2019.

Gareth Hague

Introduction

2018 was a pivotal year for the Group with the admission to AIM allowing the Group to diversify its shareholder base and pay down a significant level of debt. The underlying trade of the Group has continued to perform strongly throughout the year, supplemented by the acquisition of Landmark Surveyors Limited. The high level of revenue visibility and recurring nature of revenues give the Directors confidence going into 2019, and the strong balance sheet position provides firepower for further acquisitions, in line with the strategy that we set out in our Admission Document.

Revenue

Revenues grew by 15.0% to £50.7 million, reflecting £3.7 million contribution from the acquisition of Landmark Surveyors (from 23 January 2018) and £2.9 million (6.6%) of organic growth (calculated as the year on year increase in revenue, excluding the impact of acquisitions).

Operating profit, adjusted EBITDA and adjusted EBITDA margin

Operating profit was £6.8 million (FY17: £8.8 million), after the inclusion of IPO related costs of £3.6 million.

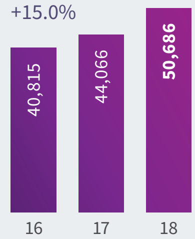
Adjusted EBITDA (as defined in note 8) is used by management as a key measure of financial performance allowing better understanding of the underlying performance of the Group. Adjusted EBITDA growth of £1.9 million (19.7%) included £1.7 million (17.9%) of organic growth, with the Group able to benefit from its operational leverage to increase adjusted EBITDA margin in the year to 22.5% from 21.7% in FY17.

Key performance indicators

Revenue (£000)

£50,686k

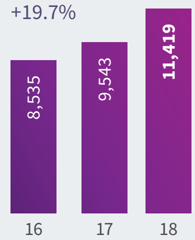
+15.0%



Adjusted EBITDA (£000)

£11,419k

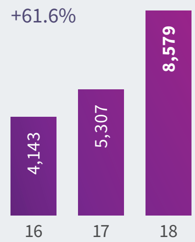
+19.7%



Adjusted profit after tax (£000)

£8,579k

+61.6%



Underlying operating expenses, which exclude costs of an exceptional nature, share option charges, amortisation and depreciation, increased by £4.7 million (13.7%) to £39.3 million, as compared to FY17. Landmark Surveyors contributed to £3.5 million of the increase, with organic growth in operating expenses of a modest 3.3%, well below our organic revenue growth rate.

Operating costs of an exceptional nature

Operating costs of an exceptional nature include £3.6 million of professional fees incurred on admission to AIM, as well as £0.1 million of professional fees on the acquisition of Landmark Surveyors Limited, and £0.1 million of restructuring costs.

Share-based payments

Share-based payment charges of £0.3 million have been recognised in respect of the options issued on IPO and the Save As You Earn scheme issued subsequently.

Financial income and expense

Finance expense in FY18 included £0.7 million interest paid in relation to the debt that was repaid on IPO. The current year expense also includes one-off charges totalling £1.6 million on early settlement of the retired debt and share warrant.

Taxation

The tax charge for the year includes the beneficial impact of research and development claims submitted in respect of FY17, offset by non-deductible expenses incurred during the IPO process.

Dividend

At the time of the IPO the Directors stated an intention to implement a progressive dividend policy to seek to maximise shareholder value and reflect the Group's strong earnings potential and cash flow. The Board declared and paid an interim dividend of 0.98 pence per share in respect of the trading for the nine-month period to 31 December 2018, post IPO, and is proposing a final dividend of 2.05 pence per share. The final dividend will be paid on 2 May 2019, to shareholders on the register on 15 March 2019 with an ex-dividend date of 14 March 2019.

Cash flow and closing net cash

At 31 December 2018, the Group had net cash of £6.4 million, compared to net debt at the date of listing of £1.6 million and net debt of £23.0 million as at 31 December 2017. Operating cash flow of £10.8 million (2017: £10.1 million) represented cash conversion of 95% (2017: 105%) of adjusted EBITDA. The reduction in cash conversion is due to higher than average working capital balances at the end of FY16, which reversed in HY17.

Funds raised at the IPO were used to repay the previous £35 million borrowings, with a new £15 million revolving credit facility implemented at IPO at a significantly lower interest rate.

Financial results

	Year ended 31 December 2018 £000	Year ended 31 December 2017 £000
Group revenue	**50,686**	44,066
Adjusted operating expenses (excluding share option charges)	**(39,267)**	(34,523)
Adjusted EBITDA	**11,419**	9,543
Adjusted EBITDA margin	**22.5%**	21.7%
Operating costs of an exceptional nature	**(3,829)**	(342)
EBITDA (excluding share option charges)	**7,590**	9,201
Depreciation	**(256)**	(220)
Impairment of goodwill	**—**	(178)
Amortisation of other intangible assets	**(124)**	—
Amortisation of development costs	**(133)**	—
Share option charges	**(320)**	—
Net finance costs	**(2,523)**	(3,322)
Profit before tax	**4,234**	5,481
Taxation	**(1,385)**	(694)
Profit after tax	**2,849**	4,787
Adjusted EPS	**11.92p**	9.30p
Revenue growth	**15.0%**	
Adjusted EBITDA growth	**19.7%**	

Accounting policies

The Group's consolidated financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted in the EU. The Group's significant accounting policies, which have been applied consistently throughout the year, are set out on pages 43 to 48.

Going concern

On the basis of the Group's current and forecast profitability and cash flows, and the availability of committed funding, the Directors consider and have concluded that the Group will have adequate resources to continue in operational existence for the foreseeable future. For these reasons they continue to adopt a going concern basis in the preparation of the financial statements.

Principal risks and uncertainties

The principal risks and uncertainties facing the Group are set out on pages 16 and 17.

Gareth Hague
Group Finance Director

Continually assessing risks

The Board is committed to understanding and managing the risks faced across our entire organisation.

We understand that some risks are inherent in our business activities and can relate to internal and external strategic threats, operational issues, compliance with laws and our reporting obligations.

We recognise that not all risks are created equal, and that it is both practical and appropriate to put in place a system of assessing both the likelihood of a risk event occurring and also the impact a realised risk would have on our operations. Our assessment system provides a grading of risks by multiplying a value based on the impact of the risk by a value based on the likelihood of its occurrence and, dependent on the final value, they are categorised as minor, moderate or major risks.

Principal risks are monitored and overseen by our Board and Audit Committee whilst oversight of the remaining lower materiality rests with our Governance Committee and our risk owners. A summary of the current principal risks, mitigating actions and status is shown below.

The diagram below illustrates examples of how we manage risk across the organisation:

Risk description	Mitigating actions	Impact potential	Change
Evolution of the regulatory environment			
Whilst changes in the regulatory environment can represent a significant opportunity to the Group, they also pose a risk if any activities became regulated or prohibited or if the Group fails to adapt its product offering.	• The Group continually invests in the development of its products in order to ensure that they are relevant to the latest regulatory requirements. • Regular reviews of regulatory commentary are completed and reviewed at Board level. • Income revenues are well diversified.	Moderate	No change The Group is always looking to develop its product offerings to protect itself from this risk.

No change Risk reduced Risk increased

Risk description	Mitigating actions	Impact potential	Change
Key personnel			
Loss of any key individual or the inability to attract appropriate personnel could impact on the Group's ability to execute its business strategy which could negatively impact upon the Group's future performance.	• Contractual arrangements and long-term incentive schemes aim to secure the services of the Executive Directors. The Group's Remuneration Committee actively considers our employee packages to support the attraction and retention of staff. • The Nomination Committee actively reviews succession plans.	Moderate	▼ The Group strengthened its Board structures and incentivisation at IPO and monitors this at regular intervals.
Loss of key partners			
If the Group's relationship with these partners terminates and the Group is unable to replace those partners, the Group's financial condition could be adversely affected.	• Revenue streams remain well diversified and we have low customer concentration. No single customer contributes more than 1% of Group turnover. • We have a strong programme of engagement with our customer base.	Low	▶
Data integrity and cyber security			
There is a risk to the Group if there is unauthorised access to or integrity issues with its data systems.	• The Group conducts regular review of its network security arrangements. • All staff receive regular training. • Access to data is provided only with those individuals with a genuine business need. • Where data is shared external to the Group this is done under contractual arrangements.	Moderate	▲ Data attacks appear to be increasing on an industry-wide basis and potential financial impact has also increased in light of the General Data Protection Regulation.
Financial shock outside the Group's control			
Uncertain economic prospects or a sustained period of financial instability could result in stagnation in the financial services industry and therefore impact the Group.	• The Group maintains diversified revenue streams. • The Board regularly reviews the financial markets and deploys its resources based on these assessments.	Moderate	▲ Increased uncertainty relating to Brexit may have an impact more generally on the economy of the UK, specifically a slow-down in the housing market, leading to lower mortgage related revenues.
Reputational risk			
Deterioration in the market perception of the Group could lead to a loss of business.	• The business culture, processes and controls result in a strong brand that is monitored regularly by the Board.	Significant	▶ The Group maintains a broad control framework to ensure brand value.
Competition			
A risk to the Group that a competing company attracts its membership through alternative service or pricing models.	• The Board regularly reviews its membership base including attrition. • Competitor and wider industry changes are routinely monitored. • The Group benefits from high barriers to entry.	Moderate	▶ An increasingly aggressive pricing strategy is being seen in some areas of the market, although Member attrition rates have remained low and stable.

The Strategic report set out on pages 1 to 17 has been approved by the Board on 5 March 2019.

NM Stevens
Director

Board of Directors

Ken Davy
Non-Executive Chairman

AC RC NC

Ken is the Non-Executive Chairman and founder of The SimplyBiz Group. In 2012, Ken celebrated four decades as an eminent and respected figure in the financial services profession.

In addition to the many awards The SimplyBiz Group has received under Ken's guidance, he has personally been awarded several outstanding contribution to financial services and lifetime achievement awards, as well as an Honorary Doctorate in Business Administration from the University of Huddersfield and an Honorary Fellowship of the Chartered Insurance Institute.

Neil Stevens
Joint Chief Executive Officer

Neil joined SimplyBiz as a consultant in 2003 before being appointed to the Board in early 2004. He is now Joint CEO of The SimplyBiz Group and Executive Chairman of Verbatim Asset Management.

He has responsibility for the operations and governance of the overall business with a strong background in business delivery and managing propositions that bring together the talents of multiple organisations.

Neil works closely with the UK life, pensions and investment industries to deliver solutions for advisers and has been active in many industry forums, including currently sitting on the TISA distribution council, to actively promote adviser business models and advance the use of technology for adviser businesses.

He has worked as a management consultant in the UK and Europe and has an engineering degree from UCE and an MBA which focussed on finance theory from Manchester Metropolitan University.

Matt Timmins
Joint Chief Executive Officer

Matt joined SimplyBiz at its inception in 2002 as Marketing Director, and was appointed Joint Managing Director of the Group in May 2010.

He now serves as Joint CEO of The SimplyBiz Group, responsible for the sales and marketing activities of the Group as well as key strategic relationships with both insurance and investment companies.

Matt runs several of the key subsidiaries within the business including SimplyBiz Services, SimplyBiz Mortgages, Home Information Group, Landmark, NMBA and SimplyBiz Support. Matt is also Chairman of Zest, the Group's provider of SAAS technology for the auto-enrolment and flexible benefits market.

His previous employment includes senior roles at GE Capital, Misys and DBS Financial Management.

Gareth Hague
Group Finance Director

Gareth joined The SimplyBiz Group in 2016 as Group Financial Controller, managing the finances of the company including key financial reporting, before becoming Group Finance Director in 2018. Prior to joining SimplyBiz, Gareth was Head of Financial Reporting at Pace plc, a FTSE 250-listed business, with annual turnover of $2.6 billion. During his five years at Pace, Gareth built his experience of working within a listed environment.

Gareth also spent nine years at PwC, where he trained as a Chartered Accountant of the ICAEW. Whilst at PwC, Gareth managed audit and transaction engagements for listed, private equity and private clients across a broad range of sizes and industries, giving him a breadth of knowledge and experience.

Tim Trotter
Non-Executive Director

AC RC NC

Tim worked with The SimplyBiz Group as a senior adviser in the latter part of 2013, including during the firm's acquisition of the flexible benefits and auto-enrolment software provider Zest. He is currently Chairman of Glenfern, bfinance, Alantra (UK), FCBI, Lucid Group and The SR Group and a senior adviser to Baird Capital Partners Europe and was a founding shareholder of Citywire.

Prior to this, Tim was the founder, Chairman and Chief Executive of Ludgate Group, the international public and investor relations consultancy. He established operations in London, New York, Hong Kong, Frankfurt and Mumbai. Principal investors included Cinven and Baird and the Group was later acquired by Interpublic.

Tim Clarke
Independent
Non-Executive Director

AC RC NC

In his 25-year career, Tim has been a Partner at both KPMG and BDO. He played a leading role in establishing KPMG's corporate finance team in the North in the early 1990s and spent two years working for the private equity unit in London. Tim established BDO Corporate Finance in Leeds in 2003 and has built the team that delivered a track record of notable transactions, involving private, public and private equity owned companies.

Tim has also managed a subsidiary of a regional bank and spent time as an independent member of the UMIST Ventures credit committee. He qualified as a Chartered Accountant in 1988 and has a degree in Economics and Accountancy from Lancaster University.

Gary Hughes
Independent
Non-Executive Director

AC RC NC

Gary Hughes qualified as a Chartered Accountant at Ernst and Whinney, before moving to take up industry roles which included Finance Director at Forte Plc, Emap Plc and Gala Coral Group. Whilst holding these executive positions, Gary was also a Non-Executive Director and chaired the audit committee of J Sainsbury Plc, for ten years, and Booker Group Plc, for two years.

Gary also held a senior position at Apax Partners and advised at board level for a number of its investments. Since leaving Apax in 2018, Gary has taken up a number of Non-Executive Director appointments.

Key of Committee membership:

AC Audit Committee RC Remuneration Committee NC Nomination Committee Chair of Committee

Corporate Governance

The Board is committed by maintaining high standards of corporate governance.

Ken Davy

Chairman's introductory statement

The Board is committed to ensuring sound governance arrangements are embedded across the Company. Following our IPO in April 2018, we adopted the Quoted Companies Alliance ("QCA") as the standard to which we monitor our governance framework and activities. The Group does not depart from any of the principles of the QCA. Prior to the IPO the Group complied with substantially all of the QCA guidelines, with the amendments made to the Board at the timing of the IPO ensuring full compliance. Further information about our compliance with the QCA is available on the Group's website.

We continue to review our approach to governance and how the views of stakeholders are represented in our oversight of the business. To that end, I continue to meet with shareholders as necessary. Feedback on both operational and governance matters from those meetings continues to form part of the Board's agenda.

The Board

The Group Board is comprised of three Executive Directors and four Non-Executive Directors (including the Chairman). Two of the Non-Executive Directors are considered to be independent. The Board is satisfied that it has a suitable balance between independence and knowledge of the business to allow it to discharge its duties and responsibilities effectively.

All Board members have clearly defined roles and responsibilities. We have articulated these roles and responsibilities and have clearly documented matters reserved for the Board as well as having clear and transparent terms of reference for all the Committees of the Board. These can be found on the Company's website.

The Board typically meets eight times per annum. Additional meetings are held as necessary and during 2018 the Board met 11 times. Attendance is shown in the table opposite. To enable the Board to discharge its duties, all Directors receive appropriate and timely information prior to these meetings. A formal Board programme is agreed before the start of each financial year. This is structured, as far as possible, to align with the Group's annual financial reporting.

The Board is responsible for the long-term performance of the Group. Specific matters are reserved for the Board. These are set out on the Company's website and include Group strategy, corporate and capital structures, approval of key financial matters (including annual and interim results, budgets and dividend policy), material contracts and Board membership and remuneration.

The Board Committees

The Board is supported by the Audit, Nomination and Remuneration Committees, each chaired by one of our Non-Executive Directors. Each Committee has access to the resources, information and advice that it deems necessary, at the cost of the Group, to enable the Committee to discharge its duties.

Board meeting attendance

The attendance of Directors at Board meetings is indicated in the table below:

Name	Jan	Feb	Mar	Apr	May	Jun	Jul	Sep	Oct	Nov	Dec	**Summary**
Ken Davy	●	●	●	●	●	●	●	●	●	●	●	**100%**
Matt Timmins	●	●	●	●	●	●	●	●	●	●	●	**100%**
Neil Stevens	●	●	●	●	●	●	●	●	●	●	●	**100%**
Gareth Hague	–	–	●	●	●	●	●	●	●	●	●	**100%**
Sarah Turvey	●	●	●	●	–	–	–	–	–	–	–	**100%**
Gary Kershaw	●	●	●	●	–	–	–	–	–	–	–	**100%**
Tim Trotter	●	●	●	●	●	●	●	●	●	●	●	**100%**
Tim Clarke	●	●	●	●	●	●	●	●	●	●	●	**100%**
David Etherington	●	●	●	●	●	●	●	●	●	○	○	**82%**

● Attended ○ Did not attend – N/A

Audit Committee

Name	3 meetings		
Ken Davy	●	●	●
David Etherington	●	●	●
Tim Trotter	●	●	●
Tim Clarke	●	●	●

The Company has an established Audit Committee chaired by Tim Clarke. The Group's external auditor and the Group Finance Director are invited to attend the Audit Committee meetings. The Audit Committee's primary responsibility is the monitoring of the financial integrity of the financial statements of the Group including compliance with and appropriateness of accounting policies. Overall responsibility for reviewing and approving the Annual Report and Accounts and the half-yearly reports remains with the Board.

The Audit Committee meets at appropriate times in the financial reporting and audit cycle, but as a minimum three times a year. The terms of reference of the Audit Committee cover issues such as membership and the frequency of meetings, together with the quorum and right to attend meetings.

Any non-audit services that are to be provided by the external auditor are reviewed by the Committee in order to ensure auditor objectivity and independence. The external auditor has the opportunity during the Audit Committee meetings to meet privately with Committee members in the absence of executive management.

The Audit Committee is also responsible for reviewing the Company's procedures for the identification, assessment, management and reporting of risks and for determining the need for an internal audit function within the Group.

Remuneration Committee

Name	2 meetings	
Ken Davy	●	●
David Etherington		●
Tim Trotter	●	●
Tim Clarke	●	●

The Remuneration Committee, chaired by Tim Clarke, meets at least twice a year and is responsible for developing the policy on executive remuneration and to set the remuneration packages of individual Directors. Although members of the executive management are from time to time invited to attend the Remuneration Committee, they are not permitted to be present during the debate or decisions regarding their own remuneration.

Nomination Committee

Name	4 meetings			
Ken Davy		●	●	●
David Etherington			●	●
Tim Trotter	●	●	●	●
Tim Clarke	●	●	●	●

The Nomination Committee holds the primary responsibility of establishing and maintaining a formal, rigorous and transparent procedure for the appointment of new Directors to the Board. The Committee also regularly reviews the structure, size and composition of the Board as well as succession planning and the time commitments needed from Non-Executive Directors. The Committee is chaired by Tim Trotter and meets at least twice a year. During the year the Committee led on the recruitment of both Gary Hughes as Senior Independent Non-Executive Director and Gareth Hague as Group Finance Director.

Corporate governance report continued

Relations with shareholders

The Company engages regularly with its shareholders through formal meetings, informal communications and stock exchange announcements.

Members of the Group Board (including the Joint Chief Executive Officers and the Group Finance Director) meet formally with institutional shareholders following results announcements, presenting Company results, articulating strategy and updating shareholders on progress.

The Group is committed to ensuring that good relations are nurtured with a range of stakeholders both internally and externally. Feedback as to how we perform as a Company to all our stakeholders is important and we try and continue to improve and develop systems we have in place.

Risk management and internal controls

The Board has ultimate responsibility for the Group's system of internal controls and for reviewing their effectiveness. However, any such system of internal control can only provide reasonable, but not absolute, assurance against material misstatement or loss.

The Group has in place a number of controls including, but not limited to, risk assessment, monitoring, processes, written policies, clear organisational structures and reporting lines, and regular updates on the performance of these controls are provided to the Board and the Audit Committee.

The Group maintains full oversight of the Company budget and undergoes a rigorous quarterly revaluation process to provide a clear view of the Group's performance throughout the financial year.

The Board considers that the internal controls in place are appropriate and effective for the Group. At this time the Board is satisfied that an internal audit function is not needed at this stage of the Company's development; however, this matter is kept under regular review by the Audit Committee.

Further information on what the Board does to manage risk is set out on pages 16 and 17.

Group culture

The Board is committed to promoting a strong ethical and values-driven culture throughout the organisation. We are continuing to develop and communicate a set of values that explain how we are as a company and what is important to us.

Our people are at the core of what we do. Having a people-oriented ethos, where teamwork and commitment are recognised, is central to the success of our strategy. We pride ourselves on nurturing talent with a number of our colleagues being supported through professional qualifications and work-based training programmes. We also believe in supporting young people to succeed in financial services and have supported a number of apprentices both via direct employment and via our New Model Business Academy Apprenticeship programme.

We understand that people need to enjoy what they do; we recognise those who demonstrate our values both informally and through recognition schemes. We have set policies and procedures in place to ensure our colleagues know the standards that are expected of them. Where concerns are identified, we have formal processes and ethics policies in place to investigate and address any areas where we consider individuals have not acted in an appropriate manner.

Ken Davy
Non-Executive Chairman

“The Board is committed to promoting a strong ethical and values-driven culture throughout the organisation.”

Ken Davy

Audit Committee report

Tim Clarke

On behalf of the Board, I am pleased to present the Audit Committee report for the year ended 31 December 2018.

The purpose of the Audit Committee is to provide formal and transparent arrangements for considering how to apply financial reporting and internal control principles, and to maintain an appropriate relationship with the Company's auditor. The Committee's role includes monitoring the integrity of the financial statements (including annual and interim accounts and results announcements), reviewing internal control and risk management systems, reviewing any changes to accounting policies, reviewing and monitoring the extent of the non-audit services undertaken by the external auditor and advising on the appointment of the external auditor.

Members of the Audit Committee

The Audit Committee was established in April 2016. The Committee consists of three Non-Executive Directors: me, Tim Clarke (as Chairman); Tim Trotter; and Gary Hughes (two of whom are considered independent). David Etherington was previously a member of the Committee, prior to his resignation. Ken Davy is also a member but is not considered independent because of his shareholding in the Group. The Executive Directors may attend Committee meetings by invitation.

The Committee met three times in the year. The Board considers that the members collectively have the balance and skills required to discharge their duties effectively.

Duties

The main duties of the Audit Committee are set out in its terms of reference. The main items of business considered by the Audit Committee during the year included:

- review and approval of the FY17 financial statements, including the receipt of the audit findings;
- review and approval of the Committee's terms of reference;
- assessment of the Committee's composition and members;
- review and approval of the 2018 Interim Statement, and recommendation of the interim dividend;
- review of suitability of the external auditor;
- consideration of the external audit report and management representation letter;
- review of going concern;
- review of the risk register, risk management and internal control systems;
- meeting with the external auditor without management present; and
- review of ethical conduct of business policies.

Role of the external auditor

The Audit Committee monitors the relationship with the external auditor, KPMG LLP, to ensure that auditor independence and objectivity are maintained. As part of its review the Committee monitors the provision of non-audit services by the external auditor. The breakdown of fees between audit and non-audit services is provided in note 7 of the Group's financial statements. The non-audit fees primarily relate to tax advice for the Group and reporting accountant work for the IPO process. The Audit Committee also assesses the auditor's performance. Having reviewed the auditor's independence and performance, the Audit Committee recommends that KPMG LLP be re-appointed as the Group's auditor at the next AGM.

Audit process

The auditor prepares an audit plan for the audit of the full year Annual Report and Accounts. The audit plan sets out the scope of the audit, areas to be targeted and audit timetable. This plan is reviewed and agreed in advance by the Audit Committee. Following the audit, the auditor presented its findings to the Audit Committee for discussion. No major areas of concern were highlighted by the auditor during the year; however, areas of significant risk and other matters of audit relevance are regularly communicated.

Internal audit

At present the Group does not have an internal audit function and the Committee believes that management is able to derive assurance as to the adequacy and effectiveness of internal controls and risk management procedures without one.

Risk management and internal controls

As described on page 22 of the Corporate governance report, the Group has established a framework of risk management and internal control systems, policies and procedures. The Audit Committee is responsible for reviewing the risk management and internal control framework and ensuring that it operates effectively. During the year, the Committee reviewed the framework and the Committee is satisfied that the internal control systems in place are currently operating effectively.

Brexit

The Audit Committee, and the wider Board, continues to monitor the uncertainties surrounding the UK's withdrawal from the EU, and the potential impacts on the business and its stakeholders. The Group has fewer than ten employees who may be impacted due to their citizenship status and we are working with them to ensure that they are supported. Within the Risk management report we have highlighted the risk that Brexit and an associated financial shock could have on the UK economy. The Board believes that our diversified and solely UK revenue streams, together with regular monitoring of the financial markets, provide some degree of mitigation.

Anti-bribery

The Group has in place an anti-bribery and anti-corruption policy that sets out its zero-tolerance position and provides information and guidance to those working for the Group on how to recognise and deal with bribery and corruption issues. The Committee is comfortable that the current policy is operating effectively.

Tim Clarke
Chairman of the Audit Committee

Nomination Committee report

Tim Trotter

I am pleased to present the Nomination Committee report for FY18.

The Nomination Committee has delegated authority from the Board set out in its written terms of reference, available on the Company's website, which are reviewed annually and were last updated by the Board in February 2019.

The Nomination Committee's primary objectives are to:

- ensure that a regular, thorough and unbiased evaluation is undertaken of the structure, size, composition, balance of skills, knowledge and experience of the Board;
- recommend any proposed changes to the composition of the Board and to initiate and oversee the recruitment process;
- ensure the Company's adherence to applicable legal and regulatory requirements in relation to the above; and
- review the Company's compliance with applicable corporate governance regulations.

The Committee Chairman reports material findings and recommendations at the next Board meeting and copies of the minutes of its meetings are circulated, where appropriate, to all Directors.

Membership of the Nomination Committee

The Chairman of the Board and the Non-Executive Directors are members of the Committee. No individual participates in discussion or decision making when the matter under consideration relates to themselves. The Committee is supported by the services of the Company Secretary who acts as secretary to the Committee and it has full access to the Executive Directors. It is empowered to appoint search consultants, legal, tax and other professional advisers as it sees fit to assist with its work.

Key activities of the Nomination Committee during the year

The Committee met four times during the year and attendance at those meetings is shown on page 21 of the Corporate governance report.

Matters considered by the Committee in FY18 included the following material items:

- assessed the composition of the Board, including in relation to Committee membership;
- reviewed and agreed the specification and recruitment strategy for a Senior Independent Non-Executive Director;
- considered the outcome of the 2018 Board effectiveness review;
- considered and approved the appointment of Gareth Hague as Group Finance Director;
- considered and approved the appointment of Gary Hughes as Senior Independent Non-Executive Director; and
- considered and approved the Committee's terms of reference.

Policy on appointments to the Board

Diversity has frequently been debated by the Committee and the Board. The Board believes that diversity is not limited to gender and that a diverse Board will include and make good use of differences in the skills, geographic location, industry experience, background, race, gender and other characteristics of the Directors. The Board's view has been and continues to be that all appointments to the Board should be merit based, assessed against objective selection criteria. To avoid impeding any deserving candidate from consideration, executive search consultants are asked to provide candidates from a diverse range of backgrounds and that these lists are gender neutral. The Board upholds its practice of embracing diversity in the widest sense and has therefore elected not to set any quantitative gender-based targets.

The process of identifying candidates for Board appointment commences with a review of the current Board composition taking into account various factors such as qualifications, skills, experience, independence and diversity of the existing Directors in order to identify any weaknesses.

A person specification is then prepared which includes, in the case of Non-Executive Director appointments, an estimate of the time commitment required. Generally, the Committee will engage executive search consultants, or consider open advertising, to assist in ensuring a comprehensive list of potential candidates from a range of backgrounds for the Committee's consideration.

Appointments to the Board during FY18

At IPO, Gareth Hague was appointed as Group Finance Director. Although Gareth was already in post as the Group Financial Controller, and was a natural choice to take up this position, the Company was keen to ensure a suitably robust recruitment process was followed. After a series of meetings between Gareth and the Chairman of the Board and separate meetings with various members of the Committee and our advisers, it was decided that Gareth was a wholly suitable candidate and he was subsequently appointed to the Board with effect from 5 March 2018.

The recruitment process in the lead up to the appointment of Gary Hughes was supported by leading specialists in non-executive director recruitment which were engaged with a specific brief from the Company to ensure the identification of candidates with the necessary skills and knowledge to meet the needs of the post. After a series of meetings between the candidates and the Chairman of the Board and separate meetings with various members of the Committee, it was decided that Gary was the most appropriate candidate and he was subsequently appointed to the Board with effect from 8 January 2019.

Resignations from the Board during FY18

David Etherington decided to step down as a Non-Executive Director and Chairman of the Remuneration Committee for personal reasons, effective 18 December 2018. The Board is fully committed to reviewing the composition of the Board following this resignation, a process which is being led by the Nomination Committee. Tim Clarke has taken over responsibilities of the Remuneration Committee's chairmanship following David's departure.

At IPO, Sarah Turvey and Gary Kershaw stepped down from the Board of Directors but remain senior managers of the Company in their roles of Chief Operating Officer and Group Compliance Director.

Talent assessment and succession planning

The Committee continues to develop succession plans in respect of the Board to ensure that there is an ongoing review of the skills and experience on the Board. The Committee also provides guidance and monitors succession plans, talent assessment and development plans at senior and mid-management level.

A comprehensive programme to develop individual development plans for key individuals is being further advanced. Recognising, developing and retaining talent within the Group is essential for the continued sustainability of the business and therefore this continues to be a key priority for the Committee and the wider Board during 2019.

Committee evaluation

The Committee's performance was internally evaluated by the members of the Committee by way of a self-evaluation questionnaire and the results were considered by the Committee and the Board. No significant issues that require improvement were identified and the Committee and the Board concluded that it operated effectively during the year.

Evaluation of the composition, structure and functioning of the Board

The evaluation of the Board was also carried out internally by way of a self-evaluation questionnaire. The questionnaire includes a focus on Board composition and expertise, the Board's role in setting strategy, its understanding of risks facing the Group, succession planning and the effectiveness of the Board Committees. The Board regards the evaluation process as an important way to monitor the progress made over the years. No significant issues that require improvement were identified; however, as a result of the review the Board has agreed a number of activities in 2019 to further strengthen and consolidate its performance.

Independence and re-election to the Board

As outlined above, the composition of the Board is reviewed annually by the Committee to ensure that there is an effective balance of skills, experience and knowledge and that the Board comprises an appropriate proportion of independent Directors on the Board.

In accordance with the Company's articles of association, all Directors are offering themselves up for election by shareholders at the Company's inaugural AGM in April 2019. Biographical information on each of the Directors can be found on pages 18 and 19.

Tim Trotter
Chairman of the Nomination Committee

Directors' remuneration report

Tim Clarke

I am pleased to present this remuneration report, which sets out the remuneration policy and the remuneration paid to the Directors for the period.

As an AIM-listed company, The SimplyBiz Group plc is not required under section 420(1) of the Companies Act 2006 to prepare a directors' remuneration report for each financial year of the Company. The SimplyBiz Group plc makes the following disclosures voluntarily. The content of this report is unaudited unless stated.

Members of the Remuneration Committee

Until December 2018 the Remuneration Committee comprised David Etherington (Chairman of the Remuneration Committee), Tim Clarke and Tim Trotter. Following David Etherington's resignation in December 2018, Tim Clarke was appointed as Chairman of the Remuneration Committee. Under the terms of reference for the Remuneration Committee, Ken Davy (Group Chairman) attends meetings but is not permitted to chair them.

The Remuneration Committee is responsible for determining the remuneration and other terms of employment for the Executive Directors of The SimplyBiz Group plc.

Remuneration policy

The remuneration of Executive Directors is determined by the Committee and the remuneration of the Chairman and the Non-Executive Directors is approved by the full Board of Directors. The key objectives of the Committee in determining the remuneration packages of Executive Directors are:

- the recruitment, retention and incentivisation of executive management of the right calibre; and
- the alignment of executive management pay and shareholder interests.

The remuneration packages of Executive Directors comprise the following elements: basic salary, benefits, bonus, pension contributions and share incentives. Basic salaries for Executive Directors are reviewed annually having regard to individual performance and market practice. In most cases benefits provided to Executive Directors comprise health insurance and car allowances. Details of emoluments for the Directors of The SimplyBiz Group plc are set out on page 27.

Directors' service contracts

Under the terms of the service agreements in place with the Executive Directors, 12 months' written notice must be given by either party to terminate that appointment. Under the terms of the service agreements in place with the Non-Executive Directors, six months' written notice must be given by either party to terminate that appointment.

Directors' emoluments (audited)

Emoluments of the Directors for the year ended 31 December 2018 are shown in the table opposite. Related party transactions involving Directors are disclosed in note 34.

Executive bonuses

Executive Directors are eligible for a maximum cash bonus of 30% of base salary which becomes payable if certain corporate performance targets are met. The Remuneration Committee also retains its right to provide special discretionary bonuses where deemed appropriate.

Bonuses quoted in the table on page 27 refer to performance awards based on the financial year ended 31 December 2018 which were paid in January 2019. For the financial year ended 31 December 2018 the maximum bonus award was triggered by the meeting of certain performance criteria. The Remuneration Committee believes that this is a reasonable situation given the financial performance of the Group.

Directors' interests

Details of the Directors' shareholdings are included in the Directors' report on page 28.

Share options and incentive schemes (audited)

Following the IPO a number of share option and incentive schemes were created, each designed to promote the long-term improvement in the performance of the Group and a sustained increase in shareholder value. Details of options for Directors who served during the year are as follows:

			Grant date	Term	Option price
Matt Timmins	SAYE	10,588 shares under option	17 October 2018	3 years	£1.70
Gareth Hague	SAYE	5,294 shares under option	17 October 2018	3 years	£1.70
	CSOP	17,647 shares under option	4 April 2018	3 years	£1.70
Sarah Turvey	SAYE	10,588 shares under option	17 October 2018	3 years	£1.70
Gary Kershaw	SAYE	10,588 shares under option	17 October 2018	3 years	£1.70

Disclosed below are Directors who served during the year who also acquired Ordinary Shares in the capital of Simply Biz Limited by way of subscription as part of the Group's Management Incentive Plan ("MIP").

Name	Number and class of share in SimplyBiz Limited subscribed to
Matt Timmins	750 A1 shares
Neil Stevens	750 A1 shares
Sarah Turvey	525 A2 shares
Gary Kershaw	225 A3 shares

Pension contributions (audited)

During the year, the Group made annual pension contributions for Executive Directors to personal pension schemes as outlined in the table below.

Non-Executive Directors

The fees of the Non-Executive Directors are determined by the full Board. The Non-Executive Directors are not eligible for bonuses, pension benefits or share options.

Directors' emoluments table (audited)

Role	Name	Salary £000	Fees £000	Benefits £000	Bonuses £000	**Employer's pension 2018 £000**	**Total emoluments* 2018 £000**	Total emoluments* 2017 £000
Non-Executive Chairman	Ken Davy	100	—	—	—	**—**	**100**	100
Executive	Neil Stevens	230	—	7	69	**2**	**308**	261
	Matt Timmins	230	—	7	69	**2**	**308**	261
	Gareth Hague*	100	—	—	38	**3**	**141**	—
	Sarah Turvey**	44	—	1	39	**1**	**85**	223
	Gary Kershaw**	39	—	1	51	**—**	**92**	199
Non-Executive	Tim Trotter	35	8	—	—	**—**	**43**	30
	Tim Clarke	35	8	—	—	**—**	**43**	31
	David Etherington***	35	14	—	—	**—**	**43**	37

* From date of appointment.

** Until date of admission on AIM.

*** Until resignation.

Tim Clarke
Independent Non-Executive Director

Directors' report

The Directors present their Directors' report for The SimplyBiz Group plc for the year ended 31 December 2018.

The SimplyBiz Group plc (the "Company") is incorporated in England and Wales. The financial statements consolidate the results and financial position of the Company and its subsidiary undertakings (the "Group").

Principal activity

The principal activity of the Group during the year was the provision of intermediary services and distribution channels to the retail financial services sector.

Review of business and future developments

The Chairman's statement (pages 4 and 5), the Joint Chief Executive Officers' Statement (pages 6 to 9) and the Financial review (pages 14 and 15) report on the performance of the Group during the year ended 31 December 2018 and its future developments.

Directors

The Directors who held office during the year and up to the date of signing this report were as follows:

KE Davy
SC Turvey (resigned 22 March 2018)
ML Timmins
NM Stevens
GJ Kershaw (resigned 22 March 2018)
THS Trotter
DJ Etherington (resigned 17 December 2018)
TP Clarke
GR Hague (appointed 5 March 2018)
G Hughes (appointed 8 January 2019)

Directors' shareholdings

The beneficial interests of the Directors in the share capital of the Company at 31 December 2018 and 5 March 2019 were as follows:

	Number of Ordinary Shares held	Percentage of issued Ordinary Share capital
KE Davy*	30,533,895	39.93%
ML Timmins	1,661,975	2.17%
NM Stevens	1,561,975	2.04%
THS Trotter	26,470	0.03%
TP Clarke	8,823	0.01%
GR Hague	—	—
G Hughes	—	—

* Includes all shares held in Trusts managed by Ken Davy & Estates where Ken Davy is the sole executor and beneficiary.

Significant shareholders

The Company is informed that, at 5 March 2019, individual registered shareholdings of more than 3% of the Company's issued share capital were as follows:

	Number of Ordinary Shares held	Percentage of issued Ordinary Share capital
KE Davy	30,533,895	39.93%
Liontrust Asset Management	8,508,285	11.13%
FIL Investments International	6,297,908	8.24%
1798 Volantis	5,715,182	7.47%
Franklin Templeton Investments	3,000,000	3.92%

Governance

Employees

It is the policy of the Group that all employees shall be given equal opportunities in all areas of employment.

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

The Group places considerable value on the involvement of its employees and has continued to keep them involved in matters affecting them as employees and on various factors affecting the performance of the Group. This is achieved through processes of communication and participation. This involves the provision of information through normal management channels including regular face-to-face briefings from the members of the Board. Employees are consulted on a wide range of matters affecting their current and future interests.

Political contributions

Neither the Company nor any of its subsidiaries made any political donations or incurred any political expenditure during the year.

Policy and practice on payment of creditors

It is the policy of the Group to agree terms and conditions for our business transactions with suppliers. The Group seeks to abide by the payment terms agreed with suppliers whenever it is satisfied that the supplier has provided the goods or services in line with the agreed terms and conditions. Where specific credit terms are not agreed with a supplier, the Group's policy is to pay to the supplier's normal terms.

Annual general meeting

The annual general meeting of the Group is to be held on 23 April 2019. The notice of the meeting has been provided to shareholders.

Health and safety

The health and welfare of our employees is paramount. We carry out regular health and safety training and assessments for our staff, who are predominantly desk based in nature. The Directors receive a monthly health and safety report which includes all areas of risk and RIDDOR within the Group.

Disclosure of information to auditor

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware, and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic report.

Auditor

KPMG LLP has expressed its willingness to continue in office as auditor and a resolution to reappoint KPMG LLP will be proposed at the forthcoming annual general meeting.

By order of the Board

GR Hague
Director
5 March 2019

Statement of Directors' responsibilities in respect of the Strategic report, the Directors' report and the financial statements

The Directors are responsible for preparing the Annual Report and the Group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent company financial statements for each financial year. Under the AIM Rules of the London Stock Exchange they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law and have elected to prepare the parent company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework'.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of their profit or loss for that year. In preparing each of the Group and parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant, reliable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a strategic report and a directors' report that complies with that law and those regulations.

Independent auditor's report
to the members of The SimplyBiz Group plc

1. Our opinion is unmodified

We have audited the financial statements of The SimplyBiz Group plc ("the Company") for the year ended 31 December 2018 which comprise the consolidated statement of profit and loss and other comprehensive income, consolidated and Company statements of financial position, consolidated and Company statements of changes in equity, consolidated statement of cash flows, and the related notes, including the accounting policies in note 2.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2018 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Overview

Materiality: Group financial statements as a whole	£400k (2017: £270k) 5% of normalised profit before tax (2017: 5% of profit before tax)	
Coverage	92% (2017: 97%) of Group profit before tax	
Key audit matters		**vs 2017**
Recurring risks	Revenue recognition	◀▶
	Recoverability of goodwill and of the parent's investment in subsidiaries	◀▶
Event driven	**New:** The impact of uncertainties due to the UK exiting the European Union on our audit	

Financial statements

Independent auditor's report continued
to the members of The SimplyBiz Group plc

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matters were as follows:

	The risk	Our response
The impact of uncertainties due to the UK exiting the European Union on our audit Refer to page 17 (principal risks) and page 23 (Audit Committee Report).	**Unprecedented levels of uncertainty:** All audits assess and challenge the reasonableness of estimates, in particular as described in the recoverability of goodwill below, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Group's future prospects and performance. Brexit is one of the most significant economic events for the UK and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown.	We developed a standardised firm-wide approach to the consideration of the uncertainties arising from Brexit in planning and performing our audits. Our procedures included: • **Our Brexit knowledge:** We considered the directors' assessment of Brexit-related sources of risk for the Group's business and financial resources compared with our own understanding of the risks. We considered the directors' plans to take action to mitigate the risks. • **Sensitivity analysis:** When addressing the recoverability of goodwill and other areas that depend on forecasts, we compared the directors' analysis to our assessment of the full range of reasonably possible scenarios resulting from Brexit uncertainty and, where forecasts cash flows are required to be discounted, considered adjustments to discount rates for the level of remaining uncertainty. • **Assessing transparency:** As well as assessing individual disclosures as part of our procedures on the recoverability of goodwill we considered all of the Brexit related disclosures together, including those in the strategic report, comparing the overall picture against our understanding of the risks. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

2. Key audit matters: our assessment of risks of material misstatement continued

	The risk	Our response
Revenue recognition Refer to note 2.8 on page 45 (accounting policy) and note 5 on page 50 (financial disclosures).	**Revenue recognition risk around the period end:** There is a risk of manipulation of revenue around the period end to meet market expectations of revenue and profit. The Group has multiple revenue streams which are accounted for by different teams which adds to an inherent complexity to their revenue recognition. Due to the revenue being service based there is also a significant element of estimation around deferred and accrued revenue.	Our procedures included: • **Control operation:** We assessed the controls in place across the business to ascertain whether these are designed, implemented and operating effectively. • **Tests of detail:** We assessed whether sales transactions one month either side of the balance sheet date were recognised in the correct period by vouching to dates services were performed and to subsequent cash receipts. We specifically agreed a sample of accrued and deferred income balances to supporting evidence. • **Tests of detail:** We corroborated revenue journal postings to supporting evidence where the other side of the journal was posted to an unexpected account. • **Assessing transparency:** We considered the adequacy of the Group's disclosures in respect of revenue, in particular, the judgements taken on timing of revenue recognition.
Recoverability of goodwill and of the parent's investment in subsidiaries (Group goodwill £19.6 million; 2017: £16.1 million) (Parent Company investment £68.7 million; 2017: £68.4 million) Refer to notes 2.13 and 2.14 on pages 46 and 47 (accounting policy) and note 18 and 19 on pages 59 to 61 (financial disclosures).	**Forecast-based valuation:** Goodwill in the Group and the carrying amount of the parent Company's investments in subsidiaries is significant and for the goodwill it has increased by £3.5m due to the acquisition of Landmark Surveyors acquisition in the current year. There is a risk of impairment due to the market uncertainty in relation to Brexit. The estimated recoverable amount of these balances is subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows. The effect of these matters is that, as part of our risk assessment for audit planning purposes, we determined that the value in use of goodwill and the recoverable amount of investment in subsidiaries had a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. In conducting our final audit work, we reassessed the degree of estimation uncertainty, and determined that the carrying amount of these balances has a range of reasonably possible outcomes to be less than that materiality.	Our procedures included: • **Control re-performance:** We tested the controls over the forecasts prepared by component management and challenge of those forecasts by the directors. • **Benchmarking assumptions:** Compared the Group's assumptions to externally derived data in relation to key inputs such as projected economic growth, competition, cost inflation and discount rates. • **Sensitivity analysis:** Performed breakeven analysis on the assumptions noted above. • **Comparing valuations:** Compared the sum of the discounted cash flows to the Group's market capitalisation to assess the reasonableness of those cash flows. • **Assessing transparency:** We assessed whether the Group's and parent Company's disclosures in relation to impairment assessment reflected the risks inherent in the recoverable amount of Group goodwill and the parent Company's cost of investment in subsidiaries.

Independent auditor's report continued
to the members of The SimplyBiz Group plc

3. Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £400k (2017: £270k), determined with reference to a benchmark of Group profit before tax, normalised to exclude this year's one-off costs in relation to the IPO and acquisitions (as disclosed in note 7 of £3.8m), of £8.0m, of which it represents 5.0%. The materiality for 2017 was determined with reference to a benchmark of Group profit before tax of £5.5m for that year of which it represents 5.0%.

Materiality for the parent Company financial statements as a whole was set at £350k (2017: £250k), determined with reference to a benchmark of Company total assets of £92.2m (2017: £96.0m), of which it represents 0.4% (2017: 0.3%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £20k (2017: £13.5k), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 23 (2017: 21) reporting components, we subjected 10 (2017: 14) to full scope audits for Group purposes and 13 (2017: 7) to specified risk-focused audit procedures. The latter were not individually financially significant enough to require a full scope audit for Group purposes, but did present specific individual risks that needed to be addressed.

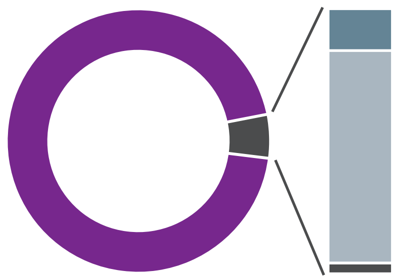
The component materialities ranged from £79k to £350k (2017: £34k to £250k). The components within the scope of our work accounted for the percentages illustrated opposite.

The work on all of the components, including the audit of the parent Company, was performed by the Group team.

The Group team performed procedures on the items excluded from normalised Group profit before tax of £3.8m.

Normalised PBT
£8.0m (2017: £5.5m)

Group Materiality
£400k (2017: £270k)



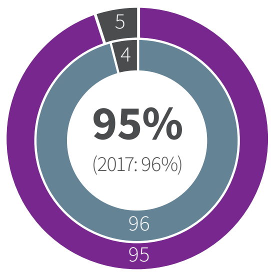
£400k
Whole financial statements materiality (2017: £270k)

£350k
Range of materiality at 10 components (£79k-£350k) (2017: £34k to £250k)

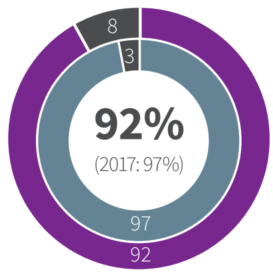
£20k
Misstatements reported to the audit committee (2017: £13.5k)

- Normalised PBT
- Group materiality

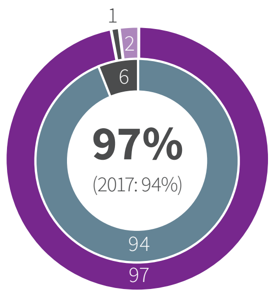
Group revenue



Group profit before tax



Group revenue



- Full scope for Group audit purposes 2018
- Specified risk-focused audit procedures 2018
- Full scope for Group audit purposes 2017
- Residual components

4. We have nothing to report on going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the parent Company or the Group or to cease their operations, and as they have concluded that the parent Company's and the Group's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group or the Company will continue in operation.

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Group's and the parent Company's business model and analysed how those risks might affect the Group's and the parent Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group's and the parent Company's available financial resources over this period were:

- The reliance on external debt financing; and
- The impact of Brexit on the UK housing market which would directly impact SimplyBiz customers.

As these were risks that could potentially cast significant doubt on the Group's and the parent Company's ability to continue as a going concern, we considered sensitivities over the level of available financial resources indicated by the Group's financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects that could arise from these risks individually and collectively and evaluated the achievability of the actions the Directors consider they would take to improve the position should the risks materialise. We also considered less predictable but realistic second order impacts, such as the impact of Brexit and the erosion of customer or supplier confidence, which could result in a rapid reduction of available financial resources.

Based on this work, we are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements.

We have nothing to report in these respects, and we did not identify going concern as a key audit matter.

5. We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

6. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Independent auditor's report continued
to the members of The SimplyBiz Group plc

7. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 30, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and, parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

8. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Ian Beaumont (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA
5 March 2019

Consolidated statement of profit or loss and other comprehensive income

for the year ended 31 December 2018

	Note	Year ended 31 December 2018 £000	Year ended 31 December 2017 £000
Revenue	5–6	**50,686**	44,066
Operating expenses	7–10	**(43,805)**	(35,263)
Amortisation of other intangible assets	18	**(124)**	—
Group operating profit		**6,757**	8,803
Finance income	11	**79**	65
Finance costs	12	**(2,602)**	(3,387)
Profit before taxation		**4,234**	5,481
Taxation	14	**(1,385)**	(694)
Profit for the financial year		**2,849**	4,787
Earnings per share – basic	13	**3.96p**	8.39
Earnings per share – diluted	13	**3.94p**	8.39

There are no items to be included in other comprehensive income in the current year or preceding year.

The accompanying notes form part of the financial statements.

Consolidated statement of financial position

as at 31 December 2018

	Note	31 December 2018 £000	31 December 2018 £000	31 December 2017 £000	31 December 2017 £000
Non-current assets					
Property, plant and equipment	17	**375**		384	
Intangible assets	18	**23,137**		18,205	
Total non-current assets			**23,512**		18,589
Current assets					
Trade and other receivables	21	**8,712**		7,505	
Deferred tax asset	25	**116**		25	
Cash and cash equivalents – unrestricted	22	**13,291**		10,998	
Cash and cash equivalents – restricted	22	**545**		545	
Total current assets			**22,664**		19,073
Total assets			**46,176**		37,662
Equity and liabilities					
Equity attributable to the owners of the Company					
Share capital	26	**765**		10	
Share premium account	26	**36,791**		52,544	
Other reserves	28	**(61,067)**		(61,387)	
Retained earnings		**50,081**		2,982	
Total equity			**26,570**		(5,851)
Liabilities					
Current liabilities					
Borrowings	24	**7,433**		—	
Trade and other payables	23	**10,254**		8,161	
Income tax liabilities		**496**		16	
Total current liabilities			**18,183**		8,177
Non-current liabilities					
Financial liabilities – borrowings	24	**—**		33,665	
Trade and other payables	23	**725**		400	
Financial derivatives	30	**—**		848	
Deferred tax liabilities	25	**698**		423	
Total non-current liabilities			**1,423**		35,336
Total liabilities			**19,606**		43,513
Total equity and liabilities			**46,176**		37,662

These financial statements were approved by the Board of Directors on 5 March 2019 and were signed on its behalf by:

GR Hague
Director

The accompanying notes form part of the financial statements.

Company statement of financial position
as at 31 December 2018

	Note	31 December 2018 £000	31 December 2018 £000	31 December 2017 £000	31 December 2017 £000
Non-current assets					
Investments	19	**68,675**		68,355	
Total non-current assets			**68,675**		68,355
Current assets					
Trade and other receivables	21	**23,445**		27,576	
Cash and cash equivalents – unrestricted	22	**43**		10	
Total current assets			**23,488**		27,586
Total assets			**92,163**		95,941
Equity and liabilities					
Equity attributable to the owners of the Company					
Share capital	26	**765**		10	
Share premium account	26	**36,791**		52,544	
Retained earnings		**46,762**		8,740	
Other reserves		**320**		—	
Total equity			**84,638**		61,294
Liabilities					
Current liabilities					
Trade and other payables	23	**69**		134	
Borrowings	24	**7,433**		—	
Total current liabilities			**7,502**		134
Non-current liabilities					
Financial liabilities – borrowings	24	**—**		33,665	
Derivative financial instrument	30	**—**		848	
Deferred tax liabilities	25	**23**		—	
Total non-current liabilities			**23**		34,513
Total liabilities			**7,525**		34,647
Total equity and liabilities			**92,163**		95,941

These financial statements were approved by the Board of Directors on 5 March 2019 and were signed on its behalf by:

GR Hague
Director

Company registered number: 09619906

The accompanying notes form part of the financial statements.

Consolidated statement of changes in equity
for the year ended 31 December 2018

	Share capital £000	Share premium £000	Other reserves £000	Retained earnings £000	Total equity £000
Balance at 1 January 2017	**10**	**50,852**	**(63,147)**	**3,008**	**(9,277)**
Total comprehensive income for the year					
Profit for the year	—	—	—	4,787	4,787
Total comprehensive income for the year	—	—	—	4,787	4,787
Transactions with owners, recorded directly in equity					
Issue of shares	—	1,692	—	—	1,692
Dividends	—	—	—	(805)	(805)
Transfer to retained earnings	—	—	1,760	(1,760)	—
Purchase of minority interest	—	—	—	(2,248)	(2,248)
Total contributions by and distributions to owners	—	1,692	1,760	(4,813)	(1,361)
Balance at 31 December 2017	**10**	**52,544**	**(61,387)**	**2,982**	**(5,851)**
Balance at 1 January 2018	**10**	**52,544**	**(61,387)**	**2,982**	**(5,851)**
Total comprehensive income for the year					
Profit for the year	—	—	—	2,849	2,849
Total comprehensive income for the year	—	—	—	2,849	2,849
Transactions with owners, recorded directly in equity					
Issue of shares	176	29,826	—	—	30,002
Bonus issue of shares	579	(579)	—	—	—
Transfer to retained earnings	—	(45,000)	—	45,000	—
Dividends	—	—	—	(750)	(750)
Share option charge	—	—	320	—	320
Total contributions by and distributions to owners	755	(15,753)	320	44,250	29,572
Balance at 31 December 2018	**765**	**36,791**	**(61,067)**	**50,081**	**26,570**

The accompanying notes form part of the financial statements.

Company statement of changes in equity

for the year ended 31 December 2018

	Share capital £000	Share premium £000	Other reserves £000	Retained earnings £000	Total equity £000
Balance at 1 January 2017	**10**	**50,852**	**—**	**1,239**	**52,101**
Total comprehensive income for the year					
Profit for the year	—	—	—	8,301	8,301
Total comprehensive income for the year	—	—	—	8,301	8,301
Transactions with owners, recorded directly in equity					
Issue of shares	—	1,692	—	—	1,692
Dividends	—	—	—	(800)	(800)
Total contributions by and distributions to owners	—	1,692	—	(800)	892
Balance at 31 December 2017	**10**	**52,544**	**—**	**8,740**	**61,294**
Balance at 1 January 2018	**10**	**52,544**	**—**	**8,740**	**61,294**
Total comprehensive income for the year					
Profit for the year	—	—	—	(6,228)	(6,228)
Total comprehensive income for the year	—	—	—	(6,228)	(6,228)
Transactions with owners, recorded directly in equity					
Issue of shares	176	29,826	—	—	30,002
Bonus issue of share	579	(579)	—	—	—
Transfer to retained earnings	—	(45,000)	—	45,000	—
Dividends	—	—	—	(750)	(750)
Share options charge	—	—	320	—	320
Total contributions by and distributions to owners	755	(15,753)	320	44,250	29,572
Balance at 31 December 2018	**765**	**36,791**	**320**	**46,762**	**84,638**

The accompanying notes form part of the financial statements.

Consolidated statement of cash flows

for year ended 31 December 2018

	Note	Year ended 31 December 2018 £000	Year ended 31 December 2017 £000
Net cash generated from operating activities	29	**6,033**	10,743
Cash flows from investing activities			
Finance income		**79**	65
Purchase of property, plant and equipment		**(109)**	(174)
Development expenditure		**(657)**	(772)
Net cash used in investing activities		**(687)**	(881)
Cash flows from financing activities			
Finance costs		**(1,078)**	(2,907)
Settlement of share warrant		**(1,193)**	—
Loan repayments made		**(37,593)**	(154)
Drawdown of loans		**10,093**	—
Purchase of shares in subsidiaries		**—**	(3,786)
Acquisitions, net of cash received		**(2,534)**	—
Issue of share capital		**30,002**	1,692
Dividends paid		**(750)**	(805)
Net cash used in financing activities		**(3,053)**	(5,960)
Net increase in cash and cash equivalents		**2,293**	3,902
Cash and cash equivalents at start of year		**11,543**	7,641
Cash and cash equivalents at end of year		**13,836**	11,543

Cash and cash equivalents, as at 31 December 2017 and 31 December 2018, includes £545,000 of cash in a restricted account (see note 22).

The accompanying notes form part of the financial statements.

1 General information

The SimplyBiz Group plc's (formerly The SimplyBiz Group Limited) principal activity is that of intermediary services and distribution channels to the retail financial services sector.

The SimplyBiz Group plc (the "Company") is a company incorporated and domiciled in the United Kingdom. The address of its registered office is The John Smith's Stadium, Stadium Way, Huddersfield HD1 6PG. The registered number is 09619906.

2 Accounting policies

2.1 Basis of preparation

This financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and as adopted by the EU ("Adopted IFRS") and the IFRS Interpretations Committee interpretations and in accordance with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The parent company accounts have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRS"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken:

- certain comparative information as otherwise required by EU-endorsed IFRS;
- disclosure of related party transactions with other wholly owned members of the Group headed by The SimplyBiz Group plc; and
- to prepare a cash flow statement for the Company.

The financial information has been prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments and financial instruments classified at fair value through profit or loss.

The financial information is presented in the Company's presentational and functional currency of Pounds Sterling ("£"), quoted to the nearest £1,000 except when otherwise indicated.

The Company applied all standards and interpretations issued by the IASB that were effective as of 31 December 2018. The accounting policies set out below have, unless otherwise stated, been applied consistently to all years presented in this financial information.

2.2 Basis of consolidation

The consolidated financial information includes the financial information of The SimplyBiz Group plc and its subsidiary undertakings (the "Group"). Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and its ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group.

Under the Companies Act 2006, the Company is exempt from the requirement to present its own statement of profit or loss.

In the parent company financial statements, investments in subsidiaries are carried at cost less impairment.

2.3 Adoption of new and revised standards

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

- **IFRS 16 'Leases'** is a replacement for IAS 17 'Leases' and will be effective for the period ending 31 December 2019 onwards. IFRS 16 requires lessees to recognise a lease liability reflecting future lease payments and a right-of-use asset for lease contracts.

  The Group is currently assessing the impact of IFRS 16 on its existing lease portfolio and it is expected to impact the majority of its operating lease commitments. This includes a material impact on the balance sheet, as both assets and liabilities will increase, and it is also expected to have a material impact on key components on the income statement, such as a reduction in operating expenses, which is expected to materially increase EBITDA. The adoption will also result in an increase in depreciation on the right-of-use asset and interest recognised on the lease liability. This will result in a change to the profile of the income statement over the life of the lease and will consequently impact profit after tax. There will be no impact on cash flows, although the presentation of the cash flow statement will change.

  Management has begun to review and quantify the expected impact using the current lease portfolio. The impact of this will depend upon the facts and circumstances as at the time of adoption and the transition choices adopted. The impact is expected to be a material increase in the assets and liabilities of the Group, in a similar quantum to the operating lease commitments in note 31.
- **IFRS 17 'Insurance Contracts'** (effective for annual periods beginning on or after 1 January 2021);
- **IFRIC 23 'Uncertainty over Income Tax Treatments'** (effective for annual periods beginning on or after 1 January 2019);

Notes continued
(forming part of the financial statements)

2 Accounting policies continued

2.3 Adoption of new and revised standards continued

- **Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures** (effective for annual periods beginning on or after 1 January 2019); and
- **Amendments to References to the Conceptual Framework in IFRSs** (effective date to be confirmed).

Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

2.4 Classification of financial instruments issued by the Group

Financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

- they include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group; and
- where the instrument will, or may, be settled in the entity's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the entity's own equity instruments or is a derivative that will be settled by the entity exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the entity's own shares, the amounts presented in the financial statements for called-up share capital and share premium account exclude amounts in relation to those shares.

2.5 Non-derivative financial instruments

IFRS 9 has been adopted in the current year, from 1 January 2018. Adoption of the standard had no impact on the recognition, classification and valuation of non-derivative financial instruments.

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings and trade and other receivables.

Trade and other receivables
Trade and other receivables are recognised at fair value, minus expected future losses.

Trade and other payables
Trade and other payables are recognised at fair value.

Interest-bearing borrowings
Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the statement of cash flows.

2.6 Derivative financial instruments

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

2.7 Going concern

The Group business activities, together with the factors likely to affect its future development, its financial position and its financial risk management objectives, as well as details of its financial instruments and its exposure to interest, credit and liquidity risk are described in note 3.

The Group meets its day-to-day working capital requirements through operating cash flows, overdrafts and bank loan facilities. The Group's forecasts and projections, taking account of reasonable possible changes in trading performance, show that the Group is expected to have a sufficient level of financial resources available through facilities agreed and expected to be agreed when these fall due for renewal.

The Group has net current assets of £4,481,000 and net assets of £26,570,000 as at 31 December 2018 (31 December 2017: net current assets of £10,896,000 and net liabilities of £5,851,000).

On the basis of the Group's current and forecast profitability and cash flows, the Directors consider and have concluded that the Group will have adequate resources to continue in operational existence for the foreseeable future. For these reasons they continue to adopt a going concern basis in the preparation of the financial statements.

2 Accounting policies continued

2.8 Revenue recognition

Revenue is recognised by reference to the five-step model set out in IFRS 15. Revenue is recognised when an entity transfers goods or services to a customer, measured at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised:

- over time, in a manner that depicts the entity's performance; or
- at a point in time, when control of the good or service is transferred to the customer.

The following specific recognition criteria must also be met before revenue is recognised:

Membership fees

The Group's membership is a subscription model, with income recognised monthly, on a time basis, in line with the access to services. Where the membership fee includes specific performance obligations, such as regulatory visits, a proportion of the revenue, based on the standard price of such services when sold separately, is recognised when the service is delivered.

Additional services

Revenue from other membership services is recognised at the point at which the service is delivered, based on the value agreed with the customer. No significant performance obligations exist beyond the delivery of the core service, and therefore income is not recognised over time.

Software licence income and employee benefit software licence and project fees

Revenue from software licence income and fees is recognised on a time basis, in line with the access to the software.

Revenue from software project fees is recognised on the achievement of specific milestones and performance obligations, reflected in the agreement with the customer. The value of revenue recognised is based on the overall value of the contracts and its performance obligations. The Group has no long-term projects.

Marketing Service Agreements

Marketing Service Agreements are provided to third-party financial institutions, and predominately subject to annual contracts. Contracts can include a number of individual performance obligations that are recognised separately as the service is delivered. The value of each performance obligation is based on internal list prices, relative to the total value of the contract.

Own fees

Asset management fees are accrued on a time basis, by reference to the value of assets under management. No significant judgements are involved in the valuation of the assets.

Mortgage services and insurance panelling

Commission is recognised, in full, following the confirmation of the sale by the third-party provider, who is considered to be the principal, of underlying products, predominantly mortgage and insurance-related products. Revenue is recognised on a net basis, i.e. only for the commission due to the Group. No significant judgements are involved in the valuation of the commission. No performance obligations exist beyond the sale of the product by the third party.

Valuation services

Revenue is recognised at the point at which the service is delivered to the customer, based on the agreed price. No performance obligations exist beyond the provision of the service. No significant judgements are involved in the valuation of the revenues.

2.9 Research and development expenditure

Research expenditure is recognised as an expense, in profit or loss, in the year in which it is incurred.

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group intends to and has the technical ability and sufficient resources to complete development, if future economic benefits are probable and if the Group can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve a plan or design for the production of new or substantially improved products or processes. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

2.10 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

The Group assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Notes continued
(forming part of the financial statements)

2 Accounting policies continued

2.10 Tangible fixed assets continued

Depreciation is charged to the statement of profit or loss on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

- Office equipment 3 to 4 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since the last annual reporting date in the pattern by which the Company expects to consume an asset's future economic benefits.

2.11 Business combinations

All business combinations are accounted for by applying the acquisition method. Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

On a transaction-by-transaction basis, the Group elects to measure non-controlling interests which have both present ownership interests and are entitled to a proportionate share of net assets of the acquiree in the event of liquidation, either at its fair value or at its proportionate interest in the recognised amount of the identifiable net assets of the acquiree at the acquisition date. All other non-controlling interests are measured at their fair value at the acquisition date, unless another measurement basis is required.

2.12 Non-controlling interests

Acquisitions and disposals of non-controlling interests that do not result in a change of control are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result of such transactions. The adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. Any difference between the price paid or received and the amount by which non-controlling interests are adjusted is recognised directly in equity and attributed to the owners of the parent.

2.13 Intangible assets

Goodwill

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the business combination from which it arose. Goodwill is not amortised but is tested annually for impairment.

Other intangible assets

Expenditure on internally generated goodwill and brands is recognised in the statement of profit or loss as an expense as incurred.

Other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses.

Expenditure on development activities is, in certain circumstances, capitalised (see also note 18). Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

Amortisation

Amortisation is charged to the statement of profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The basis for choosing these useful lives is with reference to the year over which they can continue to generate value for the Group. The estimated useful lives are as follows:

- Brands 10 years
- Customer relationships 8 years

The Company reviews the amortisation year and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

2 Accounting policies continued

2.14 Impairment excluding inventories and deferred tax assets

Financial assets (including trade and other receivables)
Financial assets are carried at fair value, less expected future losses.

Non-financial assets
The carrying amounts of the entity's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units ("CGUs") that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, impairment losses recognised in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.15 Leases

Leases in which the entity assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease.

Payments (excluding costs for services and insurance) made under operating leases are recognised in the statement of profit or loss on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation, in which case the payments related to the structured increases are recognised as incurred.

2.16 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the statement of profit or loss, except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The following temporary differences are not provided for:

- the initial recognition of goodwill; and
- the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Notes continued
(forming part of the financial statements)

2 Accounting policies continued

2.17 Pensions
The pension costs charged in the financial information represent the contributions payable by the Company during the year on the defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The amounts charged to the statement of profit or loss represent the contributions payable to the scheme in respect of the accounting period and represents the full extent of the Company's liability.

2.18 Dividends
Dividends are recognised when they become legally payable. In the case of interim dividends, this is when declared by the Directors. In the case of final dividends, this is when approved by the shareholders at a general meeting.

2.19 Share warrants
Share warrants, which include a requirement to settle the obligation in cash, are reflected as a liability at fair value. Subsequent to initial recognition, changes to the carrying amount are recognised in profit or loss.

2.20 Exceptional items
Exceptional items are those significant items which are separately disclosed by virtue of their size, incidence or nature to enable a full understanding of the Group's underlying financial performance, details of which are disclosed in note 7.

2.21 Put and call option
Put share options and agreements to forward purchase with non-controlling shareholders are recognised as a liability at the present value of the exercise price of the option or of the forward price, using the anticipated-acquisition model.

Under the anticipated-acquisition method, interests of the non-controlling shareholders, that hold the written put options or forward purchase agreements, are derecognised when the financial liability is recognised in liabilities, with the difference reflected in 'Other Equity'. Subsequent to initial recognition, changes to the carrying amount are recognised in the profit and loss account.

2.22 Share-based payments
A transaction is accounted for as a share-based payment where the Group receives services from employees, Directors or third parties and pays for these in shares or similar equity instruments.

The Group makes equity-settled share-based payments to certain employees and Directors. Equity-settled share-based schemes are measured at fair value (excluding the effect of non-market based vesting conditions) at the date of grant, measured by use of an appropriate valuation model. The fair value determined at grant date of the equity-settled share-based payments is expensed on a straight-line basis over the period services are received, based on the Group's estimate of shares that will eventually vest.

Share options are forfeited when an employee ceases to be employed by the Group unless determined to be a 'Good leaver'. A 'Good leaver' is a participant who ceases employment by reason of death, ill-health or disability.

3 Financial instruments and financial risk management

The Company's principal financial liabilities comprise trade and other payables, borrowings and share warrants. The primary purpose of these financial liabilities is to finance the operations. The Company has trade and other receivables and cash that derive directly from its operations.

Financial assets
The financial assets were as follows:

	31 December 2018 £000	31 December 2017 £000
Cash and cash equivalents – unrestricted	**13,291**	10,998
Cash and cash equivalents – restricted	**545**	545
Trade and other receivables	**8,712**	7,505

The Directors consider that the carrying amount of all financial assets approximates to their fair value.

3 Financial instruments and financial risk management continued

Financial liabilities

The financial liabilities were as follows:

	31 December 2018 £000	31 December 2017 £000
Trade and other payables	**10,254**	8,161
Borrowings	**7,433**	33,665
Share warrant	**—**	848

The Directors consider that the carrying amount for all financial liabilities approximates to their fair value.

Financial risk management

The Company is exposed to interest rate risk, credit risk and liquidity risk. Senior management oversees the management of these risks and ensures that the financial risk taking is governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Company's policies and risk appetite.

The Board of Directors reviews and agrees the policies for managing each of these risks, which are summarised below.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company accepts the risk of losing interest on deposits due to interest rate reductions.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including cash deposits with banks and financial institutions.

Trade receivables

Customer credit risk is managed subject to the Company's established policy, procedures and control relating to customer credit risk management. Credit risk is principally managed through the use of direct debit payments. Outstanding receivables are regularly monitored and discussed at executive management and Board level.

The requirement for impairment is analysed at each reporting date. The calculation is based on actual incurred historical data. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in note 21. The Company does not hold collateral as security. The Company evaluates the concentration of risk with respect to trade receivables as low as there is limited reliance on single, or a few, customers; instead, sales are typically small in size.

Financial instruments and cash deposits

Credit risk from cash balances with banks and financial institutions is managed in accordance with the Company's policy. Credit risk with respect to cash is managed by carefully selecting the institutions with which cash is deposited.

Liquidity risk

The Company is strongly cash generative and the funds generated by operating activities are managed to fund short-term working capital requirements. The Board carefully monitors the levels of cash are sufficient for normal operating requirements.

The following table details the Company's remaining contractual maturity for its financial liabilities based on undiscounted contractual payments:

	Within 1 year £000	1 to 2 years £000	2 to 5 years £000	Over 5 years £000	Total £000
31 December 2017					
Trade and other payables	2,197	400	—	—	2,597
Borrowings	—	—	—	33,665	33,665
31 December 2018					
Trade and other payables	3,061	725	—	—	3,786
Borrowings	7,433	—	—	—	7,433

Financial statements

Notes continued
(forming part of the financial statements)

3 Financial instruments and financial risk management continued

Financial risk management continued

Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while also maximising the operating potential of the business. The capital structure of the Company consists of equity attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings as disclosed in the consolidated statement of changes in equity. The Company is not subject to externally imposed capital requirements.

4 Critical accounting estimates and judgements

The Company makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below.

Impairment of goodwill

The Group is required to test, on an annual basis, whether goodwill has suffered any impairment. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the choice of a discount rate in order to calculate the present value of the cash flows. More information, including carrying values, is included in note 18.

There are no critical judgements that are considered to have a significant risk of causing a material adjustment to the financial statements.

Identification and valuation of other intangible assets

Under IFRS accounting the Group is required to make an assessment of the identifiable intangible assets acquired in a business combination. Such an assessment involves the use of judgement, both in the identification of the assets and in the estimation of their value.

5 Revenue

IFRS 15 has been adopted for the first time in the current period. Due to the nature of the Group's revenue streams and timing of services rendered, the adoption of IFRS 15 had no affect on the revenues recognised in the comparative period.

The total revenue for the Group has been derived from its principal activity: the provision of intermediary services and distribution channels to the retail financial services sector. All of this revenue relates to trading undertaken in the UK.

In the following table, revenue is disaggregated by major product/service lines and timing of revenue recognition:

Major product/service lines	**Year ended 31 December 2018 £000**	Year ended 31 December 2017 £000
Rendering of services	**35,756**	31,141
Commission	**10,786**	9,606
Licence income	**4,144**	3,319
Total	**50,686**	44,066

Timing of transfer of goods or services	**Year ended 31 December 2018 £000**	Year ended 31 December 2017 £000
Products and services transferred at a point in time	**31,834**	26,025
Products and services transferred over time	**18,852**	18,041
Total	**50,686**	44,066

6 Segmental information

During the year, the Company was domiciled in the UK and as such all revenue is derived from external customers in the United Kingdom.

The Group has two operating segments, which are considered to be reportable segments under IFRS. The two reportable segments are:

- Intermediary Services; and
- Distribution Channels.

Intermediary Services provides compliance and regulation services to individual financial intermediary Member Firms, including directly authorised IFAs, directly authorised mortgage advisers, workplace consultants and directly authorised consumer credit brokers.

Distribution Channels provides marketing and promotion, product panelling and co-manufacturing services to financial institutions. This division of the Group also undertakes survey panelling and surveying work for mortgage lenders.

The reportable segments are strategic business units that offer different products and services. Operating segments are reported in a manner consistent with the internal reporting produced to the chief operating decision makers.

The tables below present the segmental information.

	Year ended 31 December 2018 £000	Year ended 31 December 2017 £000
Intermediary Services		
Revenue	**23,329**	22,223
Operating expenses, before amortisation and depreciation	**(18,135)**	(18,290)
Intermediary Services EBITDA	**5,194**	3,933
Operating costs of exceptional nature	**(1,763)**	(144)
Intermediary Services EBITDA	**3,431**	3,789
Distribution Channels		
Revenue	**27,357**	21,843
Operating expenses, before amortisation and depreciation	**(21,132)**	(16,233)
Distribution Channels EBITDA	**6,225**	5,610
Operating costs of exceptional nature	**(2,066)**	(198)
Distribution Channels EBITDA	**4,159**	5,412
Total EBITDA (excluding share option charges)	**7,590**	9,201
Impairment of goodwill	**—**	(178)
Amortisation of other intangible assets	**(124)**	—
Amortisation of development costs	**(133)**	—
Depreciation	**(256)**	(220)
Share options	**(320)**	—
Operating profit	**6,757**	8,803

In determining the trading performance of the operating segments central costs are allocated based on the divisional contribution of revenue to the Group.

The statement of financial position is not analysed between reporting segments for management and the chief operating decision makers consider the Group statement of financial position as a whole.

No customer has generated more than 10% of total revenue during the year covered by the financial information.

Notes continued
(forming part of the financial statements)

7 Operating profit

Operating profit for the year has been arrived at after charging:

	Year ended 31 December 2018 £000	Year ended 31 December 2017 £000
Depreciation of tangible assets	**256**	220
Payments in respect of operating leases	**4,760**	4,340
Research expenditure	**161**	561
Operating costs of exceptional nature:		
Fees in relation to IPO process	**3,622**	—
Costs in relation to corporate restructuring and refinancing	**—**	303
Restructuring costs	**77**	10
Write off of Director's loan	**—**	89
Professional fees for acquisitions	**130**	69
Release of deferred consideration	**—**	(129)
	3,829	342

Auditor's remuneration:

	Year ended 31 December 2018 £000	Year ended 31 December 2017 £000
Audit of these financial statements	**90**	80
Amounts receivable by the Company's auditor and its associates in respect of:		
Audit of financial statements of subsidiaries of the Company	**45**	45
Taxation compliance services	**40**	47
Tax advice	**150**	—
Other assurance services	**190**	83

Other assurance services and tax advice mainly related to the IPO process.

Operating costs of exceptional nature

Fees in relation to the IPO process include professional fees incurred on listing on AIM in April 2018. Professional fees for acquisitions relate to the purchase of Landmark Surveyors Limited in January 2018. Restructuring costs relate to a programme of restructuring in a single legal entity.

Of the prior year costs, corporate restructuring and refinancing costs relate to professional fees incurred in the preparation for the IPO process, and the liquidation of dormant entities.

8 Reconciliation of GAAP to non-GAAP measures

The Group uses a number of "non-GAAP" figures as comparable key performance measures, as they exclude the impact of one-off items that are not considered part of ongoing trade.

Adjusted EBITDA is calculated as follows:

	Year ended 31 December 2018 £000	Year ended 31 December 2017 £000
Operating profit	**6,757**	8,803
Add back:		
Depreciation	**256**	220
Impairment of goodwill (note 18)	**—**	178
Other intangible asset amortisation (note 18)	**124**	—
Amortisation of development costs (note 18)	**133**	—
Share option charges (note 28)	**320**	—
Operating costs of exceptional nature (note 7)	**3,829**	342
Underlying EBITDA	**11,419**	9,543

Operating costs of exceptional nature and share option charges have been adjusted for to provide comparability to the prior year, when these items did not occur.

Adjusted profit before tax is calculated as follows:

	Year ended 31 December 2018 £000	Year ended 31 December 2017 £000
Profit before tax	**4,234**	5,481
Add back:		
Operating costs of exceptional nature (note 7)	**3,829**	342
Finance costs of exceptional nature (note 12)	**1,635**	—
Impairment of goodwill (note 18)	**—**	178
Amortisation of other intangible assets (note 18)	**124**	—
Amortisation of development costs (note 18)	**133**	—
Share option charges (note 28)	**320**	—
Adjusted profit before tax	**10,275**	6,001

Notes continued
(forming part of the financial statements)

8 Reconciliation of GAAP to non-GAAP measures continued

Finance costs of an exceptional nature represent the one-off costs incurred on settlement of the previous loan facility and associated share warrant, including the accelerated release of capitalised arrangement fees.

Adjusted profit after tax is calculated as follows:

	Year ended 31 December 2018 £000	Year ended 31 December 2017 £000
Profit after tax	**2,849**	4,787
Add back:		
Operating costs of exceptional nature (note 7)	**3,829**	342
Finance costs of exceptional nature, net of tax (note 12)	**1,324**	—
Impairment of goodwill (note 18)	**—**	178
Amortisation of other intangible assets (note 18)	**124**	—
Amortisation of development costs (note 18)	**133**	—
Share option charges	**320**	—
Adjusted profit after tax	**8,579**	5,307

9 Staff numbers and costs

The average number of persons employed by the Group (including Directors) during the year, analysed by category, was as follows:

	Number of employees Year ended 31 December 2018	Number of employees Year ended 31 December 2017
Directors	**7**	8
Operational	**410**	374
	417	382

The aggregate payroll costs of these persons were as follows:

	Year ended 31 December 2018 £000	Year ended 31 December 2017 £000
Wages and salaries	**18,533**	16,662
Social security costs	**2,103**	1,759
Share-based payment awards	**320**	—
Contributions to defined contribution plans	**563**	352
	21,519	18,773

10 Remuneration of key management personnel

Key management personnel represent those personnel that hold or have held a statutory directorship in The SimplyBiz Group plc. Further details are included in the Remuneration report on pages 26 and 27. Directors' remuneration and benefits include:

	Year ended 31 December 2018 £000	Year ended 31 December 2017 £000
Wages and salaries	**1,130**	1,186
Share-based payments	**112**	—
Social security costs	**156**	164
Pension costs	**7**	7
	1,405	1,357

11 Finance income

	Year ended 31 December 2018 £000	Year ended 31 December 2017 £000
Bank interest receivable	**79**	65
	79	65

12 Finance expense

	Year ended 31 December 2018 £000	Year ended 31 December 2017 £000
Interest payable on financial liabilities at amortised cost	**967**	3,229
Fair value loss on financial instruments	**345**	158
Accelerated arrangement fees on settlement of previous loan	**775**	—
Accelerated implied interest charge on settlement of previous loan	**515**	—
	2,602	3,387

13 Earnings per share

Basic earnings per share	Year ended 31 December 2018	Year ended 31 December 2017
Profit attributable to equity shareholders of the parent (£000)	**2,849**	4,787
Weighted average number of shares in issue	**71,974,191**	57,065,211
Basic profit per share (pence)	**3.96**	8.39

Financial statements

Notes continued
(forming part of the financial statements)

13 Earnings per share continued

For comparable purposes the weighted average number of shares in issue has been treated as those in issue post IPO for both the current and prior year.

Diluted earnings per share	Year ended 31 December 2018	Year ended 31 December 2017
Profit attributable to equity shareholders of the parent (£000)	2,849	4,787
Weighted average number of shares in issue	71,974,191	57,065,211
Diluted weighted average number of shares and options for the year	369,892	—
	72,344,083	57,065,211
Diluted profit per share (pence)	3.94	8.39

An adjusted EPS has been calculated below based on the adjusted profit after tax, which removes one-off items not considered to be part of underlying trading.

Adjusted basic earnings per share	Year ended 31 December 2018	Year ended 31 December 2017
Adjusted profit after tax (note 8) (£000)	8,579	5,307
Weighted average number of shares in issue	71,974,191	57,065,211
Adjusted earnings per share (pence)	11.92	9.30

14 Taxation

	Year ended 31 December 2018 £000	Year ended 31 December 2018 £000	Year ended 31 December 2017 £000	Year ended 31 December 2017 £000
Current tax				
Current tax on income for the year	1,574		865	
Adjustments in respect of prior years	(189)		(370)	
Total current tax		1,385		495
Deferred tax (note 25)				
Origination and reversal of timing differences	—		199	
Total deferred tax		—		199
Total tax		1,385		694

No income or deferred tax has been reported in other comprehensive income or has been recognised directly in equity.

Analysis of current tax recognised in profit or loss

	Year ended 31 December 2018 £000	Year ended 31 December 2017 £000
UK corporation tax	1,574	865
Adjustment in respect of prior years	(189)	(370)
Total current tax recognised in statement of profit or loss	1,385	495

14 Taxation continued

Reconciliation of effective tax rate

	Year ended 31 December 2018 £000	Year ended 31 December 2017 £000
Profit for the year	**2,849**	4,787
Total tax charge	**1,385**	694
Profit before taxation	**4,234**	5,481
Tax using the UK corporation tax rate of 19.00% (2017: 19.25%)	**804**	1,055
Non-deductible expenses	**889**	158
Allowable development expenditure	**(119)**	(149)
Adjustments in respect of prior year	**(189)**	(370)
Total tax charge included in profit or loss	**1,385**	694

Changes affecting the future tax charge

A reduction in the UK corporation tax rate to 18% (effective 1 April 2020) was substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2017. This is expected to reduce the Group's future current tax accordingly.

Adjustments in respect of prior years result from the submission of prior year research and development claims, and the update of the tax provisioning to the year-end computations.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date, and therefore these have been measured at 17% to 19%.

15 Dividends

	Year ended 31 December 2018 £000	Year ended 31 December 2017 £000
Dividend paid by the Company	**750**	800
Dividend paid by Capital Reward Limited	—	5
	750	805
Dividends per share (pence):		
Dividend paid by the Company	**0.98p**	9.6p
Dividend paid by Capital Reward Limited	—	0.9p

16 Profit of the parent company

As permitted by section 408 of the Companies Act 2006, the statement of profit or loss of the Company is not presented as part of these financial statements. The Company's loss for the financial year was £6,228,000 (2017: profit of £8,301,000).

Notes continued
(forming part of the financial statements)

17 Property, plant and equipment

Group	Office equipment £000	Total £000
Cost		
At 1 January 2017	1,155	1,155
Additions	174	174
Disposals	(133)	(133)
At 31 December 2017	1,196	1,196
Additions	109	109
Acquisitions	138	138
At 31 December 2018	**1,443**	**1,433**
Depreciation and impairment		
At 1 January 2017	725	725
Depreciation charge for the year	220	220
Disposals	(133)	(133)
At 31 December 2017	812	812
Depreciation charge for the year	256	256
At 31 December 2018	**1,068**	**1,068**
Net book value		
At 31 December 2018	**375**	**375**
At 31 December 2017	384	384

18 Intangible assets

Group	Goodwill £000	Intangible assets: Brand £000	Intangible assets: Customer relationships £000	Intangible assets: Development expenditure £000	Total £000
Cost					
At 1 January 2017	16,250	—	—	1,361	17,611
Additions	—	—	—	772	772
At 31 December 2017	16,250	—	—	2,133	18,383
Additions	3,520	115	897	657	5,189
At 31 December 2018	**19,770**	**115**	**897**	**2,790**	**23,572**
Amortisation and impairment					
At 1 January 2017	—	—	—	—	—
Charge in the year	178	—	—	—	178
At 31 December 2017	178	—	—	—	178
Charge in the year	—	12	112	133	257
At 31 December 2018	178	12	112	133	435
Net book value					
At 31 December 2018	**19,592**	**103**	**785**	**2,657**	**23,137**
At 31 December 2017	16,072	—	—	2,133	18,205

Capitalised development expenditure relates to the development of the software platform in Zest Technologies Limited.

The goodwill impairment of £178,000 relates to a balance in a subsidiary company, where the specific service line has ended. This is separate from the goodwill that exists on consolidation, which is subject to a separate impairment review described below.

The carrying amount of goodwill is allocated across operating segments, which are groups of cash-generating units ("CGUs") as follows:

	31 December 2018 £000	31 December 2017 £000
Intermediary Services	**12,823**	12,823
Distribution Channels	**6,769**	3,249
Other	**—**	—
	19,592	16,072

Goodwill is determined to have an infinite useful economic life. The Group has determined that, for the purposes of impairment testing, each segment is a cash-generating unit ("CGU"). The recoverable amounts for the CGUs are predominantly based on value in use, which is calculated on the cash flows expected to be generated using the latest projected data available over a five-year period. The key assumptions in the value in use calculation are the discount rate (12.6%; 2017: 12.8%), the growth rate (2%; 2017: 2%) and projected EBITDA. The discount rate is based on the Group's pre-tax cost of capital, which is compared with other discount rates in the sector, and considered to be a reasonable market participant's rate. The Directors consider it to be appropriate to use the same discount rate for both CGUs, given their similar risk factors.

The projected EBITDA is built up on the Board-approved budget and future projections of revenue growth rates, changes in selling prices and overhead cost growth. These changes in revenues and cost are forecast based on the knowledge and expertise of operational staff, taking into account historical trends.

The Directors have reviewed the recoverable amounts of the CGUs and, having performed appropriate sensitivity testing on the key assumptions described above, have considered that sufficient headroom within the value in use calculations exists at 31 December 2018.

Notes continued
(forming part of the financial statements)

19 Fixed asset investments

Company	Shares in Group undertakings £000	Total £000
Cost		
At 1 January 2018	68,355	68,355
Additions	320	320
At 31 December 2018	**68,675**	**68,675**
Provisions		
At 1 January 2018 and 31 December 2018	—	—
Net book value		
At 31 December 2018	**68,675**	**68,675**
At 31 December 2017	68,355	68,355

The Directors consider the carrying value of investments to be supported by the net assets and future cash flows of the businesses.

The additions in 2018 relate to share option charges in the subsidiary companies, which will be settled through equity in The SimplyBiz Group plc.

	Country of incorporation	Principal activity	Class and percentage of shares held Group	Company
Subsidiary undertakings				
Simply Biz Limited	UK	Group management	Ordinary 100%	Ordinary 100%
SIFA Limited	UK	Business support services	Ordinary 100%	—
Simply Biz Support Limited	UK	Various business support services	Ordinary 100%	—
APS Legal and Associates Limited	UK	Legal services	Ordinary 100%	—
Simply Biz Services Limited	UK	Various business services	Ordinary 100%	—
Simply Biz Mortgages Limited	UK	Provision of mortgage club facility	Ordinary 100%	—
Capital Reward Clients Limited	UK	Holding of clients from retired IFAs	Ordinary 100%	—
Zest Benefits Limited	UK	Dormant	Ordinary 100%	—
Zest Technology Limited	UK	Business support software	Ordinary 91.3%	—
Staffcare Limited	UK	Dormant	Ordinary 100%	—
Capital Reward Limited	UK	Non-trading	Ordinary 99.84%	—
Capital Reward Plus Limited	UK	Non-trading	Ordinary 100%	—
New Model Business Academy Limited	UK	Business services training	Ordinary 100%	—
360 Legal Group Limited	UK	Dormant	Ordinary 100%	—
Home Information Group Limited	UK	Property survey agency	Ordinary 100%	—
Sonas Surveyors Limited	UK	Survey and valuation services	Ordinary 100%	—
Professional Finance Broking Limited	UK	Dormant	Ordinary 100%	—
Financial Intermediary and Broker Association Limited	UK	Trade association	Ordinary 100%	—
IKST Limited	UK	Dormant	Ordinary 100%	—
Verbatim Asset Management Limited	UK	Holding company	Ordinary 100%	—
Verbatim Portfolio Management Limited	UK	Investment planning tools	Ordinary 100%	—
Verbatim Advisor Services Limited	UK	Technology integration services	Ordinary 100%	—
Verbatim Investments Limited	UK	Asset management vehicle	Ordinary 100%	—
Landmark Surveyors Limited	UK	Survey and valuation services	Ordinary 100%	—

19 Fixed asset investments continued

As at 31 December 2015 and 31 December 2016, there were put and call options in respect of the ordinary shares in Zest Technology Limited that the Group (through Simply Biz Limited) does not own. In January 2018, the Group acquired 16,394 shares in Zest Technology Limited, thereby increasing the shareholding to 85% (2017: 78.57%).

On 24 July 2017, the Group entered into an agreement to settle the put and call option, and purchase the remaining shares in Zest Technology Limited, with the first tranche of 16,078 ordinary shares purchased on 3 August 2017 and the second tranche of 7,392 shares purchased for £202,000 on 2 August 2018, increasing the shareholding to 91.3%. The remaining tranche of shares is due to be purchased at an agreed amount in 2019. This liability is included within the other payables balance at 31 December 2018.

On 11 November 2017 the Group purchased the member share of Financial Intermediary Broker Association Limited (formerly Association of Bridging Professionals Limited), a company limited by guarantee. The member share was purchased by a newly set-up entity, Professional Finance Broking Limited, within which the Group has an investment of 51%, which it purchased for £1. The Group had an option to purchase the remaining 49% for £1, which it exercised on 10 May 2018.

In December 2017, the Group purchased the shares of the remaining minority shareholders of Verbatim Asset Management for £2,248,000. No minority interest had previously been recognised on this investment. A debit of £2,248,000 has been recorded in the consolidated retained earnings of the Group as a result of this acquisition.

On 23 January 2018, the Group purchased 100% of the share capital of Landmark Surveyors Limited, as described in note 20.

The registered address of all subsidiaries, with the exception of Zest Technology Limited, is The John Smith's Stadium, Stadium Way, Huddersfield HD1 6PG. The registered address of Zest Technology Limited is Leatherhead House, Station Road, Leatherhead, Surrey KT22 7FG.

20 Acquisitions

On 23 January 2018 the Group purchased 100% of the share capital of Landmark Surveyors Limited for £4,834,000. The principal activity of the company is residential surveying and the purchase price includes £1,450,000 of deferred consideration, which is payable in two equal tranches on the first and second anniversaries of the acquisition.

The acquisition of Landmark Surveyors strengthens the Group's capabilities in providing home valuations, with the business highly aligned and complementary to Sonas Surveyors, an existing Group company. In the year to 31 December 2018, Landmark Surveyors contributed revenue of £3.7 million and adjusted EBITDA of £0.2 million. If the acquisition had occurred on 1 January 2018, management estimates that revenue would have been £3.9 million and adjusted EBITDA would have been £0.1 million.

The Group incurred acquisition-related costs of £0.1 million relating to external legal and professional fees. These costs have been included in "operating expenses" in the consolidated statement of profit or loss and other comprehensive income.

Notes continued
(forming part of the financial statements)

20 Acquisitions continued

The following fair values have been determined:

	Fair value £000
Net assets acquired	
Property, plant and equipment	138
Trade and other receivables	296
Cash and cash equivalents	1,052
Trade and other payables	(924)
Income tax liabilities	(76)
Deferred tax asset	8
Intangible assets – brands	115
Intangible assets – customer relationships	897
Deferred tax liability	(192)
	1,314
Consideration paid	
Initial cash price paid	3,384
Deferred consideration	1,450
	4,834
Goodwill	3,520

Goodwill acquired on the acquisition relates to the assembled workforce and the synergies expected to be achieved from integrating the company into the Group's existing business.

21 Trade and other receivables

	Group 31 December 2018 £000	**Company 31 December 2018 £000**	Group 31 December 2017 £000	Company 31 December 2017 £000
Trade receivables	**7,044**	**—**	4,745	—
Provision against receivables	**(605)**	**—**	(210)	—
	6,439	**—**	4,535	—
Amounts owed by Group undertakings	**—**	**23,441**	—	27,249
Other receivables	**5**	**4**	—	7
Prepayments	**744**	**—**	1,249	320
Accrued income	**1,524**	**—**	1,721	—
	8,712	**23,445**	7,505	27,576

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value, less anticipated future losses.

Trade receivables do not carry interest.

21 Trade and other receivables continued

The ageing profile of overdue trade receivables was as follows:

	Group 31 December 2018 £000	Group 31 December 2017 £000
31–60 days	**489**	223
61–90 days	**266**	308
Over 90 days	**1,206**	578
	1,961	1,109

The Company provides against trade receivables based on the anticipated future loss model in IFRS 9.

Movement in the provision for trade receivables was as follows:

	Group 31 December 2018 £000	Group 31 December 2017 £000
Balance at beginning of year	**210**	99
Increase for trade receivables regarded as potentially uncollectable	**472**	177
Decrease in provision for trade receivables recovered, or written off, during the year	**(77)**	(66)
	605	210

22 Cash and cash equivalents

	Group 31 December 2018 £000	Company 31 December 2018 £000	Group 31 December 2017 £000	Company 31 December 2017 £000
Cash at bank and in hand – unrestricted	**13,291**	**43**	10,998	10
Cash at bank and in hand – restricted	**545**	**—**	545	—
Cash and cash equivalents per cash flow statement	**13,836**	**43**	11,543	10

Cash and cash equivalents comprise cash at bank and cash in hand. Cash at bank earns interest at floating rates based on daily bank deposit rates.

The Company holds £545,000 of cash in a restricted account to cover a potential claim involving a former subsidiary of the Group. The claim dates from approximately six years ago and management considers the risk of payment to be remote.

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Notes continued
(forming part of the financial statements)

23 Trade and other payables

	Group 31 December 2018 £000	Company 31 December 2018 £000	Group 31 December 2017 £000	Company 31 December 2017 £000
Current liabilities				
Trade payables	**1,543**	**16**	1,426	—
Other tax and social security	**1,960**	**—**	1,639	—
Other payables	**1,518**	**—**	771	—
Accruals and deferred income	**5,233**	**53**	4,325	134
	10,254	**69**	8,161	134
Non-current liabilities				
Other payables	**725**	**—**	400	—
	725	**—**	400	—

The Directors consider that the carrying amount of trade and other payables approximates to their fair value.

Other payables include £398,000 (2017: £600,000) for the contract to acquire the remaining shares in Zest Technology Limited, which is a contract to acquire shares at a fixed amount of cash. Other payables within current liabilities also includes £725,000 of deferred consideration in respect of Landmark Surveyors Limited, with non-current liabilities including the second payment of £725,000 (note 20).

24 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's and Company's interest-bearing loans and borrowings.

	Group 31 December 2018 £000	Company 31 December 2018 £000	Group 31 December 2017 £000	Company 31 December 2017 £000
Secured bank loan				
Current	**7,500**	**7,500**	—	—
Non-current	**—**	**—**	34,486	34,486
Less loan arrangement fees	**(67)**	**(67)**	(821)	(821)
	7,433	**7,433**	33,665	33,665

On 22 June 2015 the Group took out a loan for £35 million, plus a share warrant financial instrument. This compound instrument was fair valued to be a £34.2 million bank loan and £848,000 share warrant (note 30). The £35 million bank loan was denominated in Pounds Sterling and carried an interest rate of LIBOR plus 7.5%.

On 5 April 2018, the Group repaid the loan in full and drew down £10.1 million from a new £15.0 million revolving credit facility ("RCF") provided by Yorkshire Bank. On settlement of the previous loan, £775,000 of capitalised loan arrangement fees were accelerated into the profit and loss account, along with £515,000 of implied interest (due to the discounting of the amount payable in June 2022 to the present date). £90,000 of loan arrangement fees, which have been capitalised and amortised over the facility period of three years, were incurred on the new RCF. The margin payable on the RCF is based on the net leverage of the Group, with a range of 1.6% to 2.0% above LIBOR.

24 Interest-bearing loans and borrowings continued

Changes in liabilities from financing activities:

	Loans and borrowings £000
Balance at 1 January 2018	33,665
Other changes	
Interest expense (note 12)	2,257
Movement in interest accrual (included in accruals and deferred income – note 23)	89
Repayment of loan	(37,593)
Drawdown of loans	10,093
Interest paid	(1,078)
Balance at 31 December 2018	**7,433**

25 Deferred taxation

	Group 31 December 2018 £000	**Company 31 December 2018 £000**	Group 31 December 2017 £000	Company 31 December 2017 £000
Deferred taxation				
Balance at the beginning of the year	**(398)**	**—**	(199)	—
Acquisition	**(184)**	**—**	—	—
Provided during the year	**—**	**(23)**	(199)	—
Balance at the end of the year	**(582)**	**(23)**	(398)	—

	Short-term timing differences £000	Accelerated capital allowances £000	Other timing differences £000	Total £000
Balance at 1 January 2018	(395)	(3)	—	(398)
Acquisition	(192)	8	—	(184)
(Charge)/credit to profit or loss	(28)	28	—	—
Balance at 31 December 2018	**(615)**	**33**	**—**	**(582)**

	Short-term timing differences £000	Accelerated capital allowances £000	Other timing differences £000	Total £000
Balance at 1 January 2017	(202)	3	—	(199)
Charge to profit or loss	(193)	(6)	—	(199)
Balance at 31 December 2017	**(395)**	**(3)**	**—**	**(398)**

Notes continued
(forming part of the financial statements)

25 Deferred taxation continued

Deferred tax assets and liabilities are attributable to the following:

Group	Assets 31 December 2018 £000	Liabilities 31 December 2018 £000	Net 31 December 2018 £000	Assets 31 December 2017 £000	Liabilities 31 December 2017 £000	Net 31 December 2017 £000
Short-term timing differences	**83**	**(698)**	**(615)**	15	(410)	(395)
Accelerated capital allowances	**33**	**—**	**33**	10	(13)	(3)
Other	**—**	**—**	**—**	—	—	—
Net tax assets/(liabilities)	**116**	**(698)**	**(582)**	25	(423)	(398)

The Company has a deferred tax liability of £23,000 (2017: £nil) in relation to short-term timing differences.

The Group has £1,078,000 (2017: £1,136,000) of tax losses, on which no deferred tax assets have been recognised, due to uncertainty over the future utilisation of the losses, as they exist in specific subsidiaries and are not available for loss relief.

26 Capital and reserves

Share capital

	Ordinary A shares	Ordinary B shares	Ordinary C shares	Ordinary D shares	Ordinary shares	Total
Number of fully paid shares: (nominal value £0.01)						
At 1 January 2017	8,349,148	50,852	1,331,112	256,974	—	9,988,086
Issue of share capital	—	281,380	—	—	—	281,380
Repurchase of shares and cancellation	—	—	—	(26,075)	—	(26,075)
At 31 December 2017	8,349,148	332,232	1,331,112	230,899	—	10,243,391
Repurchase of shares and cancellation	—	—	—	(1,093)	—	(1,093)
Bonus issue of shares	75,142,332	2,990,088	11,980,008	2,068,254	—	92,180,682
Share consolidation	(75,142,332)	(2,990,088)	(11,980,008)	(2,068,254)	—	(92,180,682)
Bonus issue of shares	45,295,619	1,802,410	1,275,069	208,043	—	48,581,141
Share conversion	(53,644,767)	(2,134,642)	(2,606,181)	(437,849)	58,823,439	—
Issue of share capital	—	—	—	—	17,647,149	17,647,149
At 31 December 2018	**—**	**—**	**—**	**—**	**76,470,588**	**76,470,588**

During 2017 the Company bought back and cancelled 26,075 ordinary D shares. On 5 December 2017, the Company issued 281,380 ordinary B shares.

During 2018, prior to the IPO listing, the Company bought back and cancelled 1,093 ordinary D shares.

As part of the IPO process, the following share restructuring took place on 4 April 2018:

- an initial bonus issue of shares in the ratio of nine new shares to one existing share was issued across all share categories;
- a share consolidation across all share categories, at a rate of 10 shares to one;
- a second bonus issue of shares across all share categories at differing share ratios; and
- a conversion of all categories of shares, in a ratio of one to one, into a new category of Ordinary Shares.

In addition to the above, an issue of 17,647,149 new Ordinary Shares was made on 4 April 2018, and the Company undertook a reduction of its share capital by cancelling £45,000,000 of its share premium account.

26 Capital and reserves continued

Share capital continued

	Share premium £000
At 1 January 2017	50,852
Issue of share capital	1,692
At 31 December 2017	52,544
Issue of share capital	29,826
Transfer to retained earnings	(45,000)
Bonus issue	(579)
At 31 December 2018	**36,791**

27 Share-based payment arrangements

At 31 December 2018, the Group had the following share-based payment arrangements.

Company Share Option Plan ("CSOP")

On 4 April 2018, the Group established the Company Share Option Plan ("CSOP"), which granted share options to certain key management personnel. The CSOP consists of two parts, and all options are to be settled by physical delivery of shares. The terms and conditions of the share option schemes granted during the year ended 31 December 2018 are as follows:

Scheme	Grant date	Number of awards	Vesting conditions	Contractual life of options
Approved Scheme	4 April 2018	229,412	3 years' service from grant date	3 to 10 years
Unapproved Scheme	4 April 2018	250,000	3 years' service from grant date	3 to 10 years

Management Incentive Plan ("MIP")

On 4 April 2018, the Group established the Management Incentive Plan ("MIP") which invited eligible employees to subscribe for A shares in the Company's subsidiary SimplyBiz Limited. Participants have a put option to sell the A shares to the Company in exchange for Ordinary Shares of the Company at any point between three years and ten years after the date of grant, provided that they are still employed and an equity hurdle is met. The terms and conditions of the MIP are as follows:

Grant date	Number of awards	Vesting conditions	Contractual life of options
4 April 2018	2,250	3 years' service from grant date, subject to an equity hurdle of 40% above the IPO price	3 to 10 years

The fair value of services received in return for share options granted is based on the fair value of the share options granted. The fair value has been measured using the Black Scholes model for the unapproved CSOP scheme, and the Monte Carlo model for the MIP and approved CSOP scheme.

The following inputs were used in the measurement of the fair values at grant date of the share-based payment plans:

	Approved CSOP	Unapproved CSOP	Management Incentive Plan
Fair value at grant date	£0.64	£1.59	£290.22
Share price at grant date	£1.70	£1.70	£1.70
Exercise price	£1.70	£0.01	£1.785
Expected volatility	40%	40%	40%
Option life (expected weighted average life)	3	3	3
Expected dividends	2%	2%	2%
Risk-free interest rate (based on government bonds)	1.2%	1.2%	1.2%

Notes continued
(forming part of the financial statements)

27 Share-based payment arrangements continued

Save As You Earn ("SAYE") scheme

On 24 September 2018, the Group established the Save As You Earn ("SAYE") scheme and invited all Group employees to enter into a three-year savings contract linked to an option which entitles them to acquire Ordinary Shares in the Company.

537,618 options were issued under the scheme, with an exercise price of £1.70. The fair value of the shares at date of grant (1 December 2018) was £0.70, and the share options are due to vest in three years. Expected volatility, dividends and the risk-free interest rate have been assumed to be consistent with the approved CSOP scheme noted above.

28 Other reserves

Group	Merger reserve £000	Capital redemption reserve £000	Put and call option reserve £000	Share options reserve £000	Total £000
At 1 January 2017	(61,395)	8	(1,760)	—	(63,147)
Transfer to retained earnings	—	—	1,760	—	1,760
At 31 December 2017	(61,395)	8	—	—	(61,387)
Share option charge	—	—	—	320	320
At 31 December 2018	**(61,395)**	**8**	**—**	**320**	**(61,067)**

29 Notes to the cash flow statement

	Year ended 31 December 2018 £000	Year ended 31 December 2017 £000
Cash flow from operating activities		
Profit after taxation	**2,849**	4,787
Add back:		
Finance income	**(79)**	(65)
Finance cost	**2,257**	3,229
Fair value gains/losses on derivative financial instrument	**345**	158
Taxation	**1,385**	694
	6,757	8,803
Adjustments for:		
Impairment of goodwill (note 18)	**—**	178
Depreciation of property, plant and equipment	**256**	220
Amortisation of other intangible assets	**257**	—
Share option charges	**320**	—
Operating cash flow before movements in working capital	**7,590**	9,201
Increase in receivables	**(1,186)**	(446)
Increase in trade and other payables	**620**	1,017
Cash generated from operations	**7,024**	9,772
Income taxes (paid)/received	**(991)**	971
Net cash generated from operating activities	**6,033**	10,743

30 Financial instruments

	Group 31 December 2018 £000	Company 31 December 2018 £000	Group 31 December 2017 £000	Company 31 December 2017 £000
Share warrant	—	—	848	848
Put and call option (note 18)	—	—	—	—
	—	—	848	848

On 24 July 2017, the Group entered into an agreement to settle the put and call option, and purchase the remaining shares in Zest Technology Limited, with the first tranche of 16,078 ordinary shares purchased on 3 August 2017 and the second tranche of 7,392 shares purchased for £202,000 on 2 August 2018, increasing the shareholding to 91.3%. The remaining tranche of shares is due to be purchased at an agreed amount in 2019.

Financial instruments carried at fair value are measured by reference to the following fair value hierarchy:

- level 1: quoted prices in active markets for identical assets or liabilities;
- level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Derivative financial instruments are carried at fair value and measured under level 2 or level 3 valuation method.

Derivative financial instruments

	Group 31 December 2018 £000	Company 31 December 2018 £000	Group 31 December 2017 £000	Company 31 December 2017 £000
Derivative liabilities (level 2)				
Interest rate contract	—	—	—	—
Derivative liabilities (level 3)				
Share warrant	—	—	848	848

Movement in fair value of share warrant:	31 December 2018 £000	31 December 2017 £000
At 1 January 2017/on inception	848	691
Charged to profit and loss	345	157
Share warrant settlement	(1,193)	—
At 31 December	—	848

Share warrant

On 22 June 2015, the Company issued a warrant instrument to subscribe for ordinary B shares comprising 1.2% of the Company's fully diluted share capital. The warrant instrument is exercisable on a sale or a share listing. Following the fourth anniversary of the instrument, and prior to the seventh anniversary, the warrant holders may surrender warrants for a cash price equivalent to 1.2% of the fair market value of the Company.

Notes continued
(forming part of the financial statements)

31 Financial commitments

Operating leases

Obligations under non-cancellable operating lease rentals are as follows:

	Land and buildings 31 December 2018 £000	Other 31 December 2018 £000	Land and buildings 31 December 2017 £000	Other 31 December 2017 £000
Less than one year	**365**	**409**	383	1,113
Between one and five years	**78**	**965**	408	201
More than five years	**—**	**—**	—	—
	443	**1,374**	791	1,314

During the year £4,760,000 (2017: £4,340,000) was recognised as an expense in profit or loss in respect of operating leases.

The Company has no operating leases.

32 Contingencies

All companies within the Group are party to a cross-guarantee against the bank loans of The SimplyBiz Group plc. The total amount outstanding at 31 December 2018 amounted to £7,500,000 (2017: £35,000,000).

33 Pension and other post-retirement benefit commitments

Defined contribution

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund. At the year end, pension contributions of £114,040 (2017: £80,119) were outstanding.

34 Related parties

Group

Identity of related parties with which the Group has transacted

Sandringham Financial Partners Limited (a company in which Neil Stevens and Matt Timmins are shareholders; Clear View Assured Limited is also a shareholder in Sandringham Financial Partners Limited, in which various Directors of the Company are shareholders, and in which both Sarah Turvey and Neil Stevens are Directors): The Group paid expenses on behalf of Sandringham Financial Partners Limited of £54,000. The balance at the end of the year held in debtors was £nil, of which provision was £nil.

Kirklees Stadium Development Limited (a company in which Ken Davy is a Director): Kirklees Stadium Development Limited was paid £140,000 by the Group for property costs and other services during the year. Amounts owed at the year end totalled £nil.

MMUNIC Limited (a company controlled by Matt Timmins and Neil Stevens): the Group made purchases from MMUNIC Limited for £6,000 during the year and owed £nil to the Company at the year end.

During the year the Group paid Trotter & Co Limited an amount of £1,462,000 in respect of consultancy services predominantly in relation to the IPO. Tim Trotter is a shareholder and Director of Trotter & Co Limited and also a Director of the Company. £nil is outstanding at the year end and held within creditors.

During the year the Group paid Quantum Strategic Consultancy Services Limited an amount of £21,000 in respect of consultancy services. David Etherington is a shareholder and Director of Quantum Strategic Consultancy Services Limited and also a Director of the Company. £nil is outstanding at the year end and held within creditors.

During the year the Group paid Park Place Corporate Finance Limited an amount of £56,000 in respect of consultancy services. Tim Clarke is a shareholder and Director of Park Place Corporate Finance Limited and also a Director of the Company. £nil is outstanding at the year end and held within creditors.

34 Related parties continued

Group continued

Transactions with key management personnel

The Group had no other transactions with key management personnel other than those included within Directors' remuneration in note 10, save for:

Dividends to Directors

	Group 31 December 2018 £000	Group 31 December 2017 £000
KE Davy	**299**	388
ML Timmins	**16**	15
NM Stevens	**15**	15
	330	651

35 Ultimate controlling party

The Directors believe that there is no ultimate controlling party of the Group.

36 Subsequent events

No material events have arisen since the balance sheet date.

Company information

Financial calendar

Trading statement for 6 months ended 30 June 2019	Published July 2019
Interim results for 6 months ended 30 June 2019	Published September 2019
Full year results for 12 months ended 31 December 2019	Published March 2020
Annual report publication	Published April 2020

Advisors

Nomad and Broker

Zeus Capital Limited
82 King Street
Manchester
M2 4WQ

10 Old Burlington Street
Mayfair
London
W1S 3AG

Auditor

KPMG LLP
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

Solicitors

Eversheds Sutherland (International) LLP
Bridgewater Place
Water Lane
Leeds
LS11 5DR

Financial PR

Instinctif Partners
65 Gresham Street
London
EC2 7NQ

Registrars

Link Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Reporting Accountants

KPMG LLP
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

Broker

Peel Hunt LLP
Moor House
120 London Wall
London
EC2Y 5ET

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designportfolio

The SimplyBiz Group plc
The John Smith's Stadium
Stadium Way
Huddersfield HD1 6PG
T: 01484 439 100