10 September 2019

The SimplyBiz Group plc
(“SimplyBiz”, the “Company” or the “Group”)

Half-year results for the six months ended 30 June 2019

Strong growth in revenue and adjusted EBITDA

SimplyBiz (AIM: SBIZ), the independent provider of compliance and business services to financial advisers and financial institutions in the UK, today announces its unaudited results for the six months ended 30 June 2019.

Financial highlights:

- Group Revenue **up 20%** to £29.1m (H1 FY18: £24.2m)
- Operating profit **up to £3.2m** (H1 FY18: £1.3m)
- Adjusted EBITDA*[1] **up 30%** to £6.8m (H1 FY18: £5.2m)
- Adjusted EBITDA*[1] margin **increased to 23.4%** (H1 2018: 21.6%)
- Adjusted profit after tax*[1] **increased 41%** to £4.9m
- Adjusted earnings per share (EPS) *[1] **increased by 8%** to 5.52p
- Group **net debt of £30.1m** at 30 June 2019
- **Interim dividend of 1.41p** per share

Operational highlights:

- Acquisition and integration of Defaqto increases customer base to almost 6,000 intermediary firms and over 350 financial institutions
- Centra financial planning software surpasses 3,000 users, up from 2,300 at 31 December 2018
- Mortgage completions increased by 19% to £7.4bn in H1 2019
- Important contract wins in both divisions including Nucleus and Vanguard.
- Awarded Service Company of the Year by both Money Marketing and Professional Adviser

Matt Timmins, Joint CEO of The SimplyBiz Group plc, said:

“The Group has delivered a positive first half performance, and we are delighted to have completed the acquisition of Defaqto in March 2019. The integration of the business is progressing well and in line with management expectations.

“As well as delivering the acquisition of Defaqto, which has made a strong contribution to revenue and profit, we have continued to grow the organic*[2] revenues and adjusted EBITDA of the Group, with increasing average revenues per member, an expanded membership base, and an enlarged service offering more than offsetting the impact of a slowdown in the housing market.

“The Board is pleased to declare an interim dividend of 1.41 pence per share in line with our dividend policy and remains confident of delivering against full year earnings expectations.

“I would like to thank everyone in the enlarged SimplyBiz team for their dedication in delivering a successful first half of 2019.”

[1] Adjusted EBITDA is earnings before interest, tax, depreciation, amortisation of intangible assets arising on acquisition and operating exceptional costs. Adjusted profit before and profit after tax exclude operating exceptional costs, exceptional finance charges and amortisation of intangible assets arising on acquisition. In the current year the measures have also been adjusted for the impact of adopting IFRS 16. A reconciliation of these metrics to GAAP measures is provided in note 5. Adjusted earnings per share is calculated based on adjusted profit after tax, as shown in note 11.

[2] Organic growth is defined as the year on year increase in a financial metric, excluding the impact of acquisitions.

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Notes to editors

Serving almost 6,000 intermediary firms, The SimplyBiz Group plc is an independent provider of compliance, distribution and technology services to financial intermediaries and financial institutions

The Group provides compliance and business services to over 3,700 firms of financial advisers, including directly authorised IFAs, directly authorised mortgage advisers, workplace consultants and directly authorised consumer credit brokers. With the acquisition of Defaqto, the Group also provides a fintech platform to 2,300 firms, comprising 8,500 advisers.

Through its Distribution Channels, the Group provides marketing and promotion, product panelling and co-manufacturing services to more than 350 financial institutions. Defaqto also provides independent ratings of 21,000 financial products and funds, licenced by 230 brands.

For more information, please visit: www.simplybizgroup.co.uk/

Analyst presentation

An analyst briefing is being held at 10.30am on 10 September 2019 at the offices of Instinctif Partners, 65 Gresham Street, London, EC2V 7NQ. To register your attendance please contact SimplyBiz@instinctif.com

JOINT CHIEF EXECUTIVES' STATEMENT

Overview

During the six months to 30 June 2019, the Group delivered a strong operational and financial performance, comprising the acquisition of Defaqto and continued organic growth.

Revenue growth of 20.2% to £29.1m included a £4.2m revenue contribution from the acquisition of Defaqto (from 21 March 2019). The headline organic revenue growth of 3.0% included double-digit growth in several key income lines that deliver strong and sustainable future revenue streams, notably software licence income, membership income and marketing service agreements, which more than offset the reduced business received by the Group's Panel Manager and Surveying businesses as a result of an industry -wide reduction in the volume of housing transactions.

Adjusted EBITDA increased by £1.6m to £6.8m, representing a strong and sustainable 23.4% (2018: 21.6%) margin. The increase in EBITDA margin reflects the inclusion of Defaqto's higher margin revenues, as well as a continuation in the margin growth of the organic business (defined as the Group prior to the impact of the current year acquisition).

Divisional Performance

The **Intermediary Services Division** provides compliance and business services to over 3,700 individual intermediary firms through a comprehensive membership model. Our members, including Financial advisers, mortgage advisers, and consumer credit broker firms, conduct regulated activities that require authorisation and regulation by the FCA.

Membership fee income in the organic business increased by 12.9% to £5.1m, compared to H1 2018, with average membership fees growing by 5.3% to £221.26 per month as at 30 June 2019 (31 December 2018: £210.18). Membership numbers at 30 June 2019 were 3,704, as compared to 3,629 at 30 June 2018 and 3,726 at 31 December 2018. Since the IPO, the Group has pursued a strategy of focussing on the recruitment of larger firms, and while the number of firms joining has remained consistent with prior periods, and the average income per member has increased as a result of this strategy, the Group has also experienced an increase in the number of customers lost during the period, particularly in the nascent Consumer Credit market.

Increased regulation is a tailwind for our business. New regulation creates opportunities for the Group to engage and provide support to its members through additional paid-for service offerings. Additional services income increased by 9.0% to £2.4m (£2.2m in H1 2018). To further enhance our service proposition, the Group invested in expanding the Compliance and Policy teams during H2 2018 and H1 2019, ensuring that the Group is well placed to support members through the impending Senior Managers & Certification Regime ("SM&CR") and beyond.

In March 2018, the Group launched 'Centra', an end-to-end financial planning system in partnership with Defaqto, that brings together a number of existing advisor software tools into one integrated service. Strong growth in the number of Centra users has continued, with over 3,000 users creating over £4bn of annualised run rate of client recommendations through our software platform. As well as providing our members with industry leading software, and enabling face to face engagement with the members through training workshops, the introduction of Centra has continued to support the Group's software licence income, whereby the Group is able to provide its members with a customised version of the sector's leading third party specialist practice management and Customer Relationship

Management ('CRM') applications at attractive rates. Software licence users increased from 3,504 at 30 June 2018 to 4,106 (30 June 2019), contributing to a 25.6% increase in software licence income from H1 2018.

Revenues in Zest Technologies, the Group's employee benefits software solution, reduced from £2.6m in H1 2018 to £1.7m in H1 2019, with the prior period including £0.9m of 'discontinuing' revenues from customers not moving over to the new platform. Since the launch of the Zest platform in November 2017, feedback has been very positive and the Group has seen positive recent momentum in securing several new contracts with companies such as Unum, Taylor Wimpey and Aviva.

The **Distribution Channels Division** continues to provide a highly effective, efficient distribution channel for c.135 financial institutions to reach an otherwise fragmented independent intermediary sector. The Group generates revenue from product providers when it successfully engages its membership in the channels offered.

The Group's extensive events programme has been developed to cater for the needs of its members and allows product providers to deliver engaging information that will enhance advisers' knowledge and continue to improve customer outcomes. In addition to events and seminars, the Group also distributed a broad suite of electronic and printed materials, delivering product provider brand and product communications to our relevant members. Income in the period from marketing service agreements with our product provider clients increased by 17.1% to £3.6m, from £3.0m in H1 2018.

The Group has launched its Insights product during the period, and the interest amongst fund managers has been positive, with the first contract signed in July 2019, and several others well progressed.

SimplyBiz Mortgages is the UK's third largest mortgage club, with over 1,700 members benefitting from access to a dedicated support service and preferred products from key lenders. Mortgage completions through the club increased by 18.6% to £7.4bn in H1 2019, resulting in an 8.8% increase in income to £1.6m.

The slowdown in housing transactions in the UK reduced the volume of business received by the Group's Panel Manager and Surveying businesses, decreasing income by c£0.6m compared to H1 2018. As a result of our flexible operating model, the Group was able to mitigate the impact of the reduced revenue to less than a £0.1m decline in EBITDA from this area. The Group's operating model retains further capacity to mitigate reductions in volume, should the market worsen.

During the period, assets under management within the Group's packaged investment service Verbatim, increased from £600m at 31 December 2018, to £640m at 30 June 2019, generating revenues of £1.1m, a 14.4% increase from H1 2018.

Defaqto contributed £4.2m of revenue in the three months post acquisition, with £1.4m from its Ratings product, £1.4m from the Matrix and Compare products and £1.2m from the 'Engage' software platform and data services. The majority of Ratings products are sold in February each year, with revenue recognised over the following 12-month period, providing strong future revenue visibility.

Strategy

The Group's growth strategy focuses on both organic and acquisitive growth. Organic growth is expected to be driven by growth in the Group's service offering to members, its average revenue per member and its membership base. The integration of Defaqto and the Group's enhanced ability to provide products and services through a scalable, technology led platform, will help to further improve the Group's strong and sustainable EBITDA margin.

Management will also continue to pursue selective acquisitions to enhance the scale of the Group, building on its proven ability to execute and integrate acquisitions.

FINANCIAL REVIEW

Six months ended	**June 2019 £'000**	**June 2019 £'000**	**June 2018 £'000**	**June 2018 £'000**
Group Revenue		29,086		24,207
Operating Expenses	(21,091)		(18,839)	
Impact of IFRS 16 accounting standard *	(385)		-	
Share option charges	(307)		(132)	
Amortisation of development expenditure	(490)		-	
Underlying operating expenses		(22,273)		(18,971)
Adjusted EBITDA		**6,813**		**5,236**
Adjusted EBITDA margin %		*23.4%*		*21.6%*
Operating costs of an exceptional nature		(2,997)		(3,790)
Impact of IFRS 16 accounting standard *		385		-
EBITDA		**4,201**		**1,446**
Depreciation		(133)		(129)
Depreciation of lease asset		(321)		-
Amortisation of other intangible assets		(554)		(62)
Minority interest		(11)		-
Net finance costs		(521)		(2,410)
Profit / (loss) before tax		**2,661**		**(1,155)**
Taxation		(1,234)		(570)
Profit / (loss) after tax		**1,427**		**(1,725)**
Adjusted EPS		5.52p		5.12p
Revenue growth (%)		20.2%		
Adjusted EBITDA growth (%)		30.1%		

*Added back to current year, to provide comparability to prior year operating expenses and adjusted EBITDA.

Revenue

Revenue grew by 20.2% to £29.1m, reflecting a £4.2m contribution from the acquisition of Defaqto (from 21 March 2019) and £0.7m (3.0%) of organic growth.

The Distribution Channels Division contributed 60% of revenue in the period, compared to 54% in H1 2018, as a result of the Defaqto acquisition.

Adjusted EBITDA and Adjusted EBITDA margin

Underlying operating expenses exclude costs of an exceptional nature, depreciation (of tangible fixed assets and lease assets), amortisation of assets arising from acquisitions and minority interest charges. Given the inclusion of Defaqto and a second reporting period post IPO, the calculation of adjusted EBITDA has been amended to include both share option charges and amortisation of development costs. To aid comparability in the current year, the Group has also excluded the beneficial impact on conversion to IFRS 16 *Leases*, given that there has been no restatement of the prior year on transition.

Underlying operating expenses increased by £3.3m (17.4%) to £22.3m, as compared to H1 2018. Defaqto contributed £2.5m (including £0.2m of amortisation of development costs) of the increase, with organic growth in operating expenses of 4.2%. Reductions in operating expenses within valuation services and employee benefit software, both attached to reducing revenues, have been offset by increased software licence costs aligned to the increased revenues, investment in our compliance proposition and the inclusion of share option charges and amortisation of development costs in this metric. Excluding the latter two items, organic operating expenses increased by 2.0%.

Adjusted EBITDA is used by management as a key measure of financial performance to understand the underlying performance of the Group. Adjusted EBITDA growth of £1.6m (30.1%) included £0.3m of organic growth (5.0%), and £1.9m from the post-acquisition trading of Defaqto, offset by the inclusion of share-based payments and amortised development expenditure in this measure.

Operating costs of an exceptional nature

Operating costs of an exceptional nature include £2.5m of professional fees in respect of the equity raise and acquisition of Defaqto, £0.4m of loss of office costs and £0.1m of restructuring costs.

Share based payments

Share based payment charges of £0.3m (H1 2018: £0.1m) have been recognised in respect of the options in issue. The increase in the charge reflects the full period of issue in H1 2019 and additional Save as You Earn options issued in H2 2018.

Financial income and expense

Finance expense in H1 2018 included one off charges of £1.6m on early settlement of the retired debt and share warrant, held prior to the IPO.

Taxation

The tax charge for the period has been accrued using the tax rate that would be applicable to the total earnings chargeable to tax. The tax charge includes a deferred tax credit of £0.1m, as the deferred tax liability which arose on the intangible assets acquired from the Defaqto deal begins to be released into the P&L.

Earnings per share

Earnings per share has been calculated based on the weighted average number of shares in issue in both periods.

Dividend

The Group remains committed to the dividend policy set out at IPO in its Admission Document of paying one third of retained profits as a dividend, payable one third at interim and two thirds as a final dividend. The Board declares an interim dividend of 1.41p per share in respect of the trading for the 12-month period to 31 December 2019. The dividend will be paid on 24 October 2019, to Shareholders on the register on 20 September 2019, with an ex-dividend date of 19 September 2019.

Cash flow and Closing Net Cash

As at 30 June 2019, the Group has net debt of £30.1m, compared to £31.1m at the point of the Defaqto acquisition and £6.2m of net cash at 31 December 2018. Since the acquisition of Defaqto, the Group has generated free cash flow of £4.0m, paid the scheduled FY18 final dividend of £1.6m and repaid £3.0m of the Revolving Credit Facility in June 2019.

OUTLOOK

Trading has continued in line with the Board's expectations, since the end of the period. The Group remains on track to achieve market expectations for earnings for the full year.

Matt Timmins and Neil Stevens
Joint Chief Executive Officers

Consolidated statement of profit or loss and other comprehensive income

for the six months ended 30 June 2019

	Note	**6 months ended 30 June 2019 £000**	6 months ended 30 June 2018 £000
Revenue	7	**29,086**	24,207
Operating expenses	*8*	**(25,350)**	(22,890)
Amortisation of other intangible assets	*12*	**(554)**	(62)
Operating profit		**3,182**	1,255
Finance income	*9*	**41**	41
Finance costs	*9*	**(562)**	(2,451)
Profit / (loss) before taxation		**2,661**	(1,155)
Taxation	*10*	**(1,234)**	(570)
Profit / (loss) for the financial period		**1,427**	(1,725)
Profit / (loss) attributable to:			
Owners of the Company		**1,438**	(1,725)
Non-controlling interests		**(11)**	-
		1,427	(1,725)
Earnings per share – basic	*11*	**1.62p**	(2.56p)
Earnings per share – diluted	*11*	**1.60p**	(2.55p)

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

Consolidated Statement of Financial Position

As at 30 June 2019

	Note	Unaudited 30 June 2019 £000	Unaudited 30 June 2018 £000	Audited 31 December 2018 £000
Assets				
Non-current assets				
Property, plant & equipment		492	439	375
Lease asset	4	1,511	-	-
Intangible assets	12	106,644	23,111	23,137
Total non-current assets		108,647	23,550	23,512
Current assets				
Trade and other receivables		11,023	9,065	8,712
Deferred tax asset		116	34	116
Cash and cash equivalents -unrestricted		11,010	10,691	13,291
Cash and cash equivalents - restricted		545	545	545
Total current assets		22,694	20,335	22,664
Total assets		131,341	43,885	46,176
Equity and liabilities				
Equity attributable to the owners of the Company				
Share capital	14	968	765	765
Share premium account	14	73,148	36,791	36,791
Other reserves	15	(60,749)	(61,255)	(61,067)
Retained earnings		49,939	46,257	50,081
Total equity		63,306	22,558	26,570
Liabilities				
Current liabilities				
Financial liabilities – borrowings	13	-	10,010	7,433
Trade and other payables		18,176	9,130	10,254
Income tax liabilities		1,315	446	496
Total current liabilities		19,491	19,586	18,183
Non-current liabilities				
Financial liabilities – borrowings	13	41,615	-	-
Trade and other payables		-	1,125	725
Lease liability	4	1,450	-	-
Deferred tax liabilities		5,479	616	698
Total non-current liabilities		48,544	1,741	1,423
Total liabilities		68,035	21,327	19,606
Total equity and liabilities		131,341	43,885	46,176

Consolidated statement of changes in equity

	Share capital £000	*Share premium £000*	*Other reserve £000*	*Retained earnings £000*	*Total equity £000*
Balance at 1 January 2018	10	52,544	(61,387)	2,982	(5,851)
Total comprehensive income for period	-	-	-	(1,725)	(1,725)
Transactions with owners, recorded directly in equity					
Issue of share capital	176	29,826	-	-	30,002
Bonus issue of shares	579	(579)	-	-	-
Transfer to retained earnings	-	(45,000)	-	45,000	-
Share option charge	-	-	132	-	132
Total contributions by and distribution to owners	755	(15,753)	132	45,000	30,134
Balance at 30 June 2018	765	36,791	(61,255)	46,257	22,558
Total comprehensive income for period	-	-	-	4,574	4,574
Transactions with owners, recorded directly in equity					
Share option charge	-	-	188	-	188
Dividends	-	-	-	(750)	(750)
Total contributions by and distribution to owners	-	-	188	(750)	(562)
Balance at 31 December 2018	765	36,791	(61,067)	50,081	26,570
Total comprehensive income for period	-	-	-	1,427	1,427
Transactions with owners, recorded directly in equity					
Issue of share capital	203	36,357	-	-	36,560
Dividends	-	-	-	(1,569)	(1,569)
Share option charge	-	-	307	-	307
Minority Interest	-	-	11	-	11
Total contributions by and distribution to owners	203	36,357	318	(1,569)	35,309
Balance at 30 June 2019	**968**	**73,148**	**(60,749)**	**49,939**	**63,306**

Consolidated statement of cash flows

for the 6 months ended 30 June 2019

	6 months ended 30 June 2019 £000	6 months ended 30 June 2018 £000
Net cash generated from / (used in) operating activities (note 17)	**2,214**	(530)
Cash flows from investing activities		
Finance income	**41**	41
Purchase of property, plant and equipment	**(42)**	(46)
Development expenditure	**(930)**	(437)
Acquisitions, net of cash received	**(47,099)**	(2,333)
Net cash used in investing activities	**(48,030)**	(2,775)
Cash flows from financing activities		
Finance costs	**(475)**	(922)
Loan repayments made	**(27,676)**	(36,193)
Drawdown of loans	**37,500**	10,093
Transaction costs related to borrowing	**(420)**	-
Payment of lease liability	**(385)**	-
Issue of share capital	**36,560**	30,020
Dividends paid	**(1,569)**	-
Net cash generated from financing activities	**43,535**	2,998
Net decrease in cash and cash equivalents	**(2,281)**	(307)
Cash and cash equivalents at start of period	**13,836**	11,543
Cash and cash equivalents at end of period	**11,555**	11,236

NOTES TO THE INTERIM FINANCIAL INFORMATION

1. Reporting entity

The SimplyBiz Group plc is a company domiciled in the UK. These condensed consolidated interim financial statements ('interim financial statements') as at and for the six months ended 30 June 2019 comprise the Company and its subsidiaries (together referred to as 'the Group'). The Group is primarily involved in the provision 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.

2. Basis of accounting

These interim financial statements have been prepared in accordance with IAS 34 *Interim financial reporting* and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31 December 2018 ('last annual financial statements'). They do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the Group's financial position and performance since the last annual financial statements.

The financial information set out in these interim financial statements for the six months ended 30 June 2019 and the comparative figures for the six months ended 30 June 2018 are unaudited. The comparative financial information for the period ended 31 December 2018 in this interim report does not constitute statutory accounts for that period under 435 of the Companies Act 2006.

Statutory accounts for the period ended 31 December 2018 have been delivered to the Registrar of Companies. The auditors' report on the accounts for 31 December 2018 was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

The interim financial statements comprise the financial statements of the Group and its subsidiaries at 30 June 2019. Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtained control, and continue to be consolidated until the date when such control ceases.

The interim financial statements incorporate the results of business combinations using the acquisition method. In the consolidated balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date.

This is the first set of the Group's financial statements in which IFRS 16 has been applied. Changes to significant accounting policies are described in note 4.

These interim financial statements were authorised for issue by the Company's Board of Directors on 5 September 2019.

3. Use of Judgements and Estimates

In preparing these interim financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements, except for the new significant judgements related to lessee accounting under IFRS 16, as described in note 4.

4. Changes in significant accounting policies

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the last annual financial statements. The policy for recognising and measuring income taxes in the interim period is described in note 10. The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ended 31 December 2019.

Amortisation of other intangible assets is charged to the statement of profit or loss on a straight-line basis over their estimated useful lives. The basis for choosing these useful lives is with reference to the period over which they can continue to generate value for the Group. The estimated useful lives have been updated in the period to be:

- Brand 15 years
- Intellectual property 8 - 15 years

The Group has initially adopted IFRS 16 *Leases* from 1 January 2019. A number of other new standards are effective from 1 January 2019, but they do not have a material effect on the Group's financial statements.

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right of use assets representing its right to use the underlying asset and lease liabilities representing it obligation to make lease payments. The Group has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the change in accounting policy is described below.

Definition of a lease
Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 *Determining whether an arrangement contains a lease*. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as a lease. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee
The Group leases many assets, including predominately properties and vehicles. As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group recognises right of use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet. The Group has assessed the exemption allowable to low-value assets and considered that no categories of asset meet these criteria.

The Group presents right of use assets that do not meet the definition of investment property in 'property, plant and equipment', the same line item as it presents underlying assets of the same nature that it owns. The carrying amounts of right-of-use assets are as below:

	Office equipment	Properties	Vehicles	Total
	£000	£000	£000	£000
At 1 January 2019	37	360	169	566
At 30 June 2019	78	1,163	270	1,511

The Group presents lease liabilities separately on the face of the Balance Sheet.

Significant accounting policies
The Group recognises a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, and subsequently at cost less any accumulated deprecation and impairment losses, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or, if that rate cannot be readily determined, the Group incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under residual value guarantees, or as appropriate, changes in the assessment of whether a purchase or an extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right of use assets recognised.

Transition
Previously, the Group classified property leases as operating leases under IAS 17. The leases run for differing periods and some leases include options to renew the lease and / or rent-free periods.

At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. Right of use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under ISA 17:

- Excluded initial direct costs from measuring the right of use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

On transition to IFRS 16, financial commitments of £1,246,000 as at 31 December 2018, previously disclosed, were considered to not meet the IFRS 16 criteria and therefore not recognised as right to use assets.

Impacts on financial statements

As a result of initially applying IFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognised £566,000 of right of use assets and £566,000 of lease liabilities, after deduction of £5,000 discounting impact at the incremental borrowing rate of 3.1%. On acquisition of Defaqto the Group recognised £206,000 of right of use assets and lease liabilities on the opening balance sheet, and has subsequently recognised £1,060,000 in respect of new lease arrangements.

The Group has also recognised depreciation and interest costs, instead of operating lease expenses. During the six months ended 30 June 2019, the Group recognised £321,000 of depreciation charges and £3,000 of interest costs from these leases.

5. Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Joint Chief Executives' statement.

The Directors have considered these factors, the likely performance of the business and possible alternative outcomes and the financing activities available to the Group. Having taken all of these factors into consideration, including the impact on covenants relating to the external borrowing facility, the Directors confirm that forecasts and projections indicate that the Group and its Parent Company have adequate resources for the foreseeable future and at least for the period of 12 months from the date of signing the half year report. Accordingly, the financial information has been prepared on the going concern basis.

6. 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 on-going trade.

Adjusted EBITDA is calculated as follows:

	6 months ended 30 June 2019 £000	6 months ended 30 June 2018 £000
Operating profit	**3,182**	1,255
add back:		
Depreciation	**133**	129
Depreciation of IFRS 16 lease asset	**321**	-
Impact of IFRS 16 *Leases* accounting	**(385)**	-
Amortisation of other intangible assets (note 12)	**554**	62
Operating costs of exceptional nature (note 8)	**2,997**	3,790
Minority interest	**11**	-
Adjusted EBITDA	**6,813**	5,236

The impact of applying IFRS 16 has been adjusted for to provide comparability to the prior year, given that the standard has been applied under the modified retrospective approach.

Adjusted profit before tax is calculated as follows:

	6 months ended 30 June 2019 £000	6 months ended 30 June 2018 £000
Profit / (loss) before tax	**2,661**	(1,155)
add back:		
Operating costs of exceptional nature (note 8)	**2,997**	3,790
Finance costs of exceptional nature (note 9)	**-**	1,635
Impact of IFRS 16 *Leases* accounting, net of depreciation	**(64)**	-
Amortisation of other intangible assets (note 12)	**554**	62
Minority interest	**11**	-
Adjusted profit before tax	**6,159**	4,332

Finance costs of an exceptional nature in 2018 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:

	6 months ended 30 June 2019 £000	6 months ended 30 June 2018 £000
Profit / (loss) after tax	**1,427**	(1,725)
add back:		
Operating costs of exceptional nature (note 8)	**2,997**	3,790
Finance costs of exceptional nature, net of tax (note 9)	**-**	1,324
Impact of IFRS 16 *Leases* accounting, net of depreciation and tax	**(51)**	-
Amortisation of other intangible assets (note 12)	**554**	62
Minority interest	**11**	-
Deferred tax credit on other intangible assets	**(83)**	-
Adjusted profit after tax	**4,855**	3,451

Finance costs of an exceptional nature, net of tax, 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 in 2018.

7. 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. Through the acquisition of Defaqto, this operating segment also now provides independent ratings of financial products and data services to financial institutions.

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 for the periods ended 30 June 2019 and 2018.

	6 months ended 30 June 2019	6 months ended 30 June 2018
	£000	£000
Intermediary Services		
Revenue	**11,599**	11,185
Operating expenses, before amortisation and depreciation	**(9,691)**	(8,835)
Intermediary Services (pre operating exceptional costs)	**2,387**	2,350
Operating costs of exceptional nature	**(1,195)**	(1,751)
Intermediary Services	**1,192**	599
Distribution Channels		
Revenue	**17,487**	13,022
Operating expenses, before amortisation and depreciation	**(11,400)**	(10,004)
Distribution Channels (pre operating exceptional costs)	**5,608**	3,018
Operating costs of exceptional nature	**(1,802)**	(2,039)
Distribution Channels	**3,806**	979
Divisional performance (after operating exceptional costs)	**4,998**	1,578
Amortisation of development expenditure	**(490)**	-
Amortisation of other intangible assets	**(554)**	(62)
Depreciation	**(133)**	(129)
Depreciation of lease asset	**(321)**	-
Share option charges	**(307)**	(132)
Minority Interest	**(11)**	-
Operating profit	**3,182**	1,255

The Defaqto group has been run as one operating segment and whilst its customer base fall into the Group's reporting segments, historical performance was not measured in this way and costs could not be appropriately allocated to each customer base. Therefore, since the majority of the Defaqto group revenues fall within the Distribution customer base the performance has been reported in the Distribution Channel reporting segment. This includes revenues of £1.2m relating to Intermediary Services.

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 decision-makers consider the Group statement of financial position as a whole.

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

8. Operating Profit

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

	6 months ended 30 June 2019 £000	6 months ended 30 June 2018 £000
Depreciation of tangible assets	**133**	129
Depreciation of lease asset	**321**	-
Operating costs of exceptional nature:		
Restructuring costs	**59**	65
Professional fees for acquisitions	**2,549**	120
Loss of office expense	**389**	-
Fees in relation to IPO process	**-**	3,605
	2,997	3,790

Professional fees for acquisitions relate to the purchase of Defaqto in 2019, and Landmark Surveyors in 2018. Loss of office expense relates to the redundancy of a senior employee, and restructuring costs in 2018 and 2019 relate to a programme of restructuring in a single legal entity. Fees in relation to the IPO process include professional fees incurred on listing on AIM in April 2018.

9. Finance Expense and Income

	6 months ended 30 June 2019 £000	6 months ended 30 June 2018 £000
Finance Expense		
Bank interest payable	**(559)**	(816)
Finance charge on lease liability	**(3)**	-
Fair value loss on financial instruments	**-**	(345)
Accelerated arrangement fees on settlement of previous loan	**-**	(775)
Accelerated implied interest charge on settlement of previous loan	**-**	(515)
	(562)	(2,451)
Finance Income		
Bank interest receivable	**41**	41
	41	41
Net finance expense	**(521)**	(2,410)

10. Taxation

	6 months ended 30 June 2019 £000	6 months ended 30 June 2018 £000
Current tax charge	**1,291**	570
Deferred tax credit	**(57)**	-
Tax charge for the period	**1,234**	570

Current income tax expense is recognised at an amount determined by multiplying the profit / (loss) before tax for the interim reporting period by management's best estimate of the weighted-average annual income tax rate for the full financial year, adjusted for the tax effect of certain items recognised in full in the interim period. As such, the effective tax rate in the interim financial statements may differ from management's estimate of the effective tax rate for the annual financial statements.

11. Earnings per share

Basic Earnings Per Share ('EPS')	**6 months ended 30 June 2019 £000**	6 months ended 30 June 2018 £000
Profit / (loss) attributable to equity shareholders of the parent	**1,427**	(1,725)
Weighted average number of shares in issue	**87,867,713**	67,352,894
Basic profit / (loss) per share (pence)	**1.62p**	(2.56p)

Earnings per share has been calculated based on the weighted average number of shares in issue in both periods.

Diluted Earnings Per Share	**6 months ended 30 June 2019 £000**	6 months ended 30 June 2018 £000
Profit / (loss) attributable to equity shareholders of the parent	**1,427**	(1,725)
Weighted average number of shares in issue	**87,867,713**	67,352,894
Diluted weighted average number of shares and options for the period	**1,203,045**	431,223
	89,070,758	67,784,117
Diluted profit / (loss) per share (pence)	**1.60p**	(2.55p)

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

Adjusted basic Earnings Per Share	**6 months ended 30 June 2019 £000**	6 months ended 30 June 2018 £000
Adjusted profit after tax (note 6)	**4,855**	3,451
Weighted average number of shares in issue	**87,867,713**	67,352,894
Adjusted earnings per share (pence)	**5.52p**	5.12p

12. Intangible assets

	Intangible Assets					
	Goodwill	Brand	Software	Intellectual property	Development expenditure	Total
	£000	£000	£000	£000	£000	£000
Cost						
At 1 January 2018	16,250	-	-	-	2,133	18,383
Additions	3,520	115	-	897	436	4,968
At 30 June 2018	19,770	115	-	897	2,569	23,351
Additions	-	-	-	-	221	221
At 31 December 2018	19,770	115	-	897	2,790	23,572
Additions	54,737	2,904	-	23,551	930	82,122
Acquisition	-	-	34	-	2,395	2,429
At 30 June 2019	**74,507**	**3,019**	**34**	**24,448**	**6,115**	**108,123**
Amortisation and impairment						
At 1 January 2018	178	-	-	-	-	178
Charge in the period	-	6	-	56	-	62
At 30 June 2018	178	6	-	56	-	240
Charge in the period	-	6	-	56	133	195
At 31 December 2018	178	12	-	112	133	435
Charge in the period	-	60	4	490	490	1,044
At 30 June 2019	**178**	**72**	**4**	**602**	**623**	**1,479**
Net book value						
At 30 June 2019	**74,329**	**2,947**	**30**	**23,846**	**5,492**	**106,644**
At 31 December 2018	19,592	103	-	785	2,657	23,137
At 30 June 2018	19,592	109	-	841	2,569	23,111

Intellectual property is a single asset covering the three elements of customer relationships, technology and data.

13. Borrowings

	30 June 2019	30 June 2018
	£000	£000
Secured bank loan:		
Current	**-**	10,093
Non-current	**42,000**	-
Less loan arrangement fees	**(385)**	(83)
	41,615	10,010

On 5 April 2018, the Group repaid its previous loan in full and drew down £10.1m from a new £15.0m Revolving Credit Facility ('RCF') provided by Yorkshire Bank. The previous loan was due to be settled in June 2022. On settlement of the loan, £776k of capitalised loan arrangement fees were accelerated into the profit and loss account, along with £515k of implied interest (due to the discounting of the amount repayable to the present date). £90k of loan arrangement fees were incurred on the new RCF, which have been capitalised and amortised over 3 years.

On 21 March 2019, the Group repaid the loan facility provided by Yorkshire Bank and drew down £45.0m from an RCF provided in two equal amounts of £22.5m from Yorkshire Bank and NatWest. The RCF is a four year facility, with the option of a one year extension. The margin payable on the RCF is based on the net leverage of the Group with a range of 1.5% to 2.6% above LIBOR.

On 21 June 2019, the Group repaid £3.0m of the RCF.

14. Share Capital & Share Premium

Share capital

	Ordinary A shares	**Ordinary B shares**	**Ordinary C shares**	**Ordinary D shares**	**Ordinary Shares**	**Total**
Number of fully paid shares:						
At 1 January 2018	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	17,649,149
At 30 June 2018	**-**	**-**	**-**	**-**	**76,470,588**	**76,470,588**
Issue of share capital	-	-	-	-	-	-
At 31 December 2018	**-**	**-**	**-**	**-**	**76,470,588**	**76,470,588**
Issue of share capital	-	-	-	-	20,311,708	20,311,708
At 30 June 2019	**-**	**-**	**-**	**-**	**96,782,296**	**96,782,296**

During 2018 the Company bought back and cancelled 26,075 D ordinary shares. On 5 December 2018, the company issued 281,380 B ordinary shares.

During 2018, prior to the IPO listing, the Company bought back and cancelled 1,093 D ordinary 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 9 new shares to 1 existing share was issued across all share categories.
- A share consolidation across all share categories, at a rate of 10 shares to 1.
- A second bonus issue of shares across all share categories at differing share ratios.
- A conversion of all categories of shares, in a ratio of 1 to 1, 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.

On 21 March 2019, the Company issued 20,311,708 new shares as part of the funding for the acquisition of Defaqto (note 18).

The nominal value of the Ordinary Shares is £0.01.

Share Premium

	Share Premium £'000
At 1 January 2018	52,544
Issue of share capital	29,826
Transfer to retained earnings	(45,000)
Bonus issue	(579)
At 30 June 2018 and 31 December 2018	36,791
Issue of share capital	36,357
At 30 June 2019	**73,148**

15. Other reserves

	Merger Reserve £'000	Capital redemption reserve £'000	Non-controlling interest £'000	Share Option Reserve £'000	Total Other Reserves £'000
At 1 January 2018	(61,395)	8	-	-	(61,387)
Share option charge	-	-	-	132	132
At 30 June 2018	(61,395)	8	-	132	(61,255)
Share option charge	-	-	-	188	188
At 31 December 2018	(61,395)	8	-	320	(61,067)
Share option charge	-	-	-	307	307
Minority interest charge	-	-	11	-	11
At 30 June 2019	**(61,395)**	**8**	**11**	**627**	**(60,749)**

16. Share-based payment arrangements

At 30 June 2019, 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 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 3 years and 10 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%

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.

17. Notes to the cash flow statement

	6 months ended 30 June 2019 £000	6 months ended 30 June 2018 £000
Cash flow from operating activities		
Profit / (loss) after taxation	**1,427**	(1,725)
Add back / (deduct):		
Finance income	**(41)**	(41)
Finance cost	**562**	2,451
Taxation	**1,234**	570
	3,182	1,255
Adjustments for:		
Amortisation of development expenditure	**490**	-
Depreciation of property, plant and equipment	**133**	129
Depreciation of lease asset	**321**	-
Amortisation of other intangible assets	**554**	62
Share option charge	**307**	132
Minority interest	**11**	-
Operating cash flow before movements in working capital	**4,998**	1,578
Decrease / (increase) in receivables	**480**	(1,301)
Decrease in trade and other payables	**(2,906)**	(581)
Cash generated from / (used in) operations	**2,572**	(304)
Income taxes paid	**(358)**	(226)
Net cash generated from / (used in) operating activities	**2,214**	(530)

18. Acquisitions

On 21 March 2019, the Group purchased 100% of the share capital of Regulus Topco Limited, owner of Defaqto, a financial services tech business for total consideration of £51.4m. Acquired borrowings of £24.7m were settled soon after completion of the transaction.

The acquisition of Defaqto creates a single fintech and support service group, which will benefit from an increased number and range of distribution channels. In the period to 30 June 2019, Defaqto contributed revenue of £4.2m and adjusted EBITDA of £2.0m. If the acquisition had occurred on 1 January 2019, management estimates that revenue would have been £7.0m and adjusted EBITDA of £3.2m.

The Group incurred acquisition related costs of £2.5m relating to external legal, broker and professional fees. These costs have been included in 'operating expenses' in the consolidated statement of profit or loss and other comprehensive income and analysed separately as 'operating costs of an exceptional nature' in note 8.

The following fair values have been determined provisionally, based on the Group's preliminary assessment. The Group will continue to review the fair values during the measurement period.

	Book value	*Fair value adjustment*	*Provisional Fair Value*
	£'000	*£'000*	*£'000*
Net assets acquired			
Property, plant & equipment	213	-	213
Lease asset	206	-	206
Other intangible assets – software	34	-	34
Capitalised development costs	2,395	-	2,395
Trade and other receivables	2,791	-	2,791
Income tax receivable	114	-	114
Cash and cash equivalents	5,030	-	5,030
Trade and other payables	(3,281)	-	(3,281)
Deferred revenue	(7,360)	-	(7,360)
Borrowings	(24,676)	-	(24,676)
Lease liability	(206)	-	(206)
Intangible assets - Brands	-	2,904	2,904
Intangible assets – Intellectual property	-	23,551	23,551
Net deferred tax liability	(341)	(4,497)	(4,838)
	(25,081)	21,958	(3,123)
Consideration paid			
Cash price paid		43,894	
Shares issued		7,489	
Total Consideration			51,383
Goodwill			54,506

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.

In addition to the above, and additional payment was made in the period with respect to the acquisition of Landmark Surveyors, resulting in an increase in goodwill of £25,000.

19. Subsequent Events

No material subsequent events have arisen since the balance sheet date.