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**Defaqto Limited**

Registered number 2870220

Strategic report, Directors' report and financial statements

For the period ended 31 December 2019

TUESDAY



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## Company Information

### Directors

S Z H Bilgrami  
A C G Brown  
R P Bijljes  
G R Hague  
N M Stevens  
M L Timmins

### Company Number

2870220

### Registered Office

Financial Research Centre  
Haddenham Business Park  
Pegasus Way  
Haddenham  
Buckinghamshire  
HP17 8LJ

### Banker

HSBC Bank Plc  
26 Broad Street  
Reading  
Berkshire  
RG1 2BU

### Solicitor

Capital Law Limited  
Capital Building  
Tyndall Street  
Cardiff  
CF10 4AZ

### Auditor

KPMG LLP  
1 Sovereign Square  
Sovereign Street  
Leeds LS1 4DA

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## Strategic report

The directors present their strategic report for the period ended 31 December 2019.

### Review of the business and future developments

A summary of the Company's trading during the period is shown in the Statement of Profit and Loss and other comprehensive income on page 9.

The group of which the Company is a member was acquired by a new ultimate parent undertaking The SimplyBiz Group plc on 21 March 2019. The Company has aligned its accounting reference date with its ultimate parent undertaking, moving it from 31 July to 31 December.

The Company is a financial information business, helping financial institutions and consumers make better informed decisions. Our independent fund and product information helps banks, insurers and fund managers with designing and promoting their propositions. In order to do so, the Company:

- collects data from across the whole of the market for products in the following areas: banking, general insurance, life and protection, wealth and funds;
- uses its expertise and insight to analyse the data, and to make it comparable;
- creates a range of products and services to deliver information in a meaningful way to its customers and stakeholders; and
- helps consumers to make better informed financial decisions, and helps the financial services sector create, manage and distribute products.

The Company does this by providing timely and accurate information to all levels of the financial sector including financial intermediaries, banks, insurers, life companies, asset managers, government departments, comparison websites and directly to consumers. Such services are generally supplied through digital delivery mechanisms thereby ensuring that the data used by decision makers is of the best quality available in the market.

Financial advisers use the Company's range of products to research the right products to suit their clients' needs. This service is predominantly offered in the life and protection, wealth and funds product areas.

The Company has and continues to focus its efforts on assisting financial intermediaries in delivering appropriate services to their client base. The Company's customers, both financial intermediaries and financial product providers, benefit from the continued expansion of the product and service suite and the Company is focussed on delivering best in class solutions to fit such demand.

The Company continues to provide services to providers of financial products that enable them to research, launch, distribute and manage quality products. Additionally, the Company rates financial products based on quality using the Defaqto Ratings process.

The Company offers services on either a hosted or an unhosted basis for integration with a number of consumer web-portals.

In considering the financial performance of the Company, the directors have used the results arising under FRS 101, the adoption of which saw the results in the comparative period to 31 July 2018 adjusted.

The directors are pleased with the performance in the period. The financial period ended 31 December 2019 saw the Company record a net profit of £5,798,769 (*year ended 31 July 2018: £3,428,944*). Turnover increased from £12,143,921 to £19,575,374.

Operating profit before depreciation and amortisation grew from £4,693,547 to £8,067,114 illustrating the continuing investment in the business and the longer accounting period to 31 December 2019.

The Company continues to invest heavily in the development of its software platforms with £1,948,815 having been invested in the period in both employed and outsourced services (*year ended 31 July 2018: £1,051,609*). Such investment, as well as £64,156 invested in tangible fixed assets during the period, is offset by depreciation and amortisation of £1,308,952 leading to an increase in fixed assets of £704,019 to £3,027,004.

## **Strategic report (continued)**

The aforementioned investments, the early repayment of £1,450,000 in loan principal and the lending of £3,000,000 to a group undertaking offset the profits recorded in the period and resulted in cash declining by £1,221,956. The period end cash stands at £1,090,791 (31 July 2018: £2,312,747).

### *Research and development*

The Company continues to expand the software offering with the main focus being on tools for financial advisers. This investment totalling £1,948,815 in the period (year ended 31 July 2018: £1,051,609) has seen new workflows being launched within the Defaqto Engage service and a number of new developments remained in progress at 31 December 2019 and will be launched in the following financial year.

### *Future developments*

The Company is well placed to assist financial product providers in the distribution of their products and to assist financial intermediaries in complying with changes in regulation such as Pension Schemes Act 2015 and making their advice offering more efficient. The Company will continue to develop products and services that serve the existing customer base, leveraging on the Company's brand that is known as the trusted source of financial product information.

### *Regulatory issues*

The Company continues to operate in an area experiencing significant regulatory change. These have provided the Company with a number of opportunities and the directors believe that the current product lines and planned developments of them will enjoy success in this changing environment.

### *Environmental impact*

The Company works to reduce its carbon footprint by promoting paperless processes and recycling.

### **Dividends**

The directors do not recommend a final dividend (year ended 31 July 2018: £6,999,167).

### **Principal risks**

The principal risks facing the business are economic and regulatory in nature. The Company relies on the financial services sector in the United Kingdom for 100% (2018: 100%) of turnover and that sector continues to face continuing regulatory and economic changes. The Company is not regulated but the majority of its customers are and there is a risk that a change in financial regulation in the United Kingdom may negatively impact either such customers or the Company directly. The directors maintain strong relationships with the customer base and the various financial regulators in the United Kingdom and take appropriate action where risks arise that need mitigation:

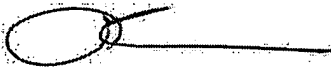
The United Kingdom's economy has suffered a significant downturn since the outbreak of Covid-19 in the United Kingdom in early 2020. The impact of Covid-19 has also seen the introduction of lockdown measures that impact the social mobility of the United Kingdom population. Customers in certain financial product verticals, such as travel, insurance, have suffered during the pandemic but there has been little impact to date on the Company's performance or long term outlook. Employees have successfully migrated to working from home and suppliers have been able to continue to provide their services without issue. As such, the Company has succeeded in continuing to service its customers as normal. However, the directors continue to monitor the ongoing impact of Covid-19.

## **Strategic report** *(continued)*

### **Key Performance Indicators**

The performance of the group of companies of which the Company is a member is monitored on a group basis rather than at an individual company level. The key performance indicators monitored at that level are turnover and adjusted operation profit and these are discussed in the report and financial statements of the ultimate parent undertaking The SimplyBiz Group plc.

On behalf of the Board



**A C G Brown**  
Director  
Defaqto Limited

22 October 2020

## Directors' report

The directors present their directors' report and the audited financial statements for the period ended 31 December 2019.

### Principal activity

The Company is a financial information business, helping financial institutions and consumers make better informed decisions through the provision of quality financial data and associated tools. During the period the Defaqto group was acquired by The SimplyBiz Group plc. As a result of the acquisition, the accounting reference date for the Company has been moved from 31 July to 31 December. The financial statements have also been converted from FRS102 to FRS101 (note 23).

### Directors

The directors who held office during the period and up to the date of approval of these financial statements were as follows:

S Z H Bilgrami  
R P Bijtjes  
A C G Brown  
G R Hague (appointed 21 March 2019)  
N M Stevens (appointed 21 March 2019)  
M L Timmins (appointed 21 March 2019)

No rights to subscribe for shares in or debentures of the Company were granted to any of the directors or their immediate families, or exercised by them, during the financial period.

### Going concern

The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

The directors manage the Company alongside the other companies within the group of companies of which it is a subsidiary (the "Group"), with Group banking facilities in place of £45,000,000 until March 2024, of which £45,000,000 is drawn as of 30 June, 2020. The Group Directors have prepared cash flow forecasts for the Group for the period to December 2021 which indicate that, taking account of severe but plausible downside scenarios, the Group, including this Company will have sufficient funds, through the Group's combined banking facilities to meet its liabilities as they fall due for that period.

The SimplyBiz Group plc has indicated its intention to continue to make available such funds as are needed by the Company, and that it does not intend to seek repayment of the amounts due at the balance sheet date, for the period covered by the forecasts. As with any Company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due until at least December 2021 and therefore have prepared the financial statements on a going concern basis.

### Brexit

The directors continue to monitor the uncertainties surrounding the UK's withdrawal from the EU, and the potential impacts on the business and its stakeholders, with the largest risk believed to be associated impacts that a financial shock could have on the UK economy. The directors believe that some degree of mitigation is provided as the Company's investments have diversified revenue streams and the directors regularly monitor the financial markets.

### Third party indemnity provision for directors

As permitted by the Articles of Association, the directors have the benefit of a Directors' and Officers' liability insurance, which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. This indemnity, purchased by The SimplyBiz Group plc and applicable to the directors of the Company was in force from 21 March 2019 and is currently in force.

## **Directors' report** *(continued)*

### **Financial instruments**

The Company works to mitigate the risks faced regarding the recoverability of balances due to it. This includes reviewing the credit worthiness of customers prior to the provision of service to them. There are significant balances outstanding from group undertakings and the group of which the Company is a member has outstanding bank loan balances and shareholder loan balances. Repayment and servicing of these balances will principally be financed through the continued profitability of the Company. The directors monitor the recoverability of the intercompany balances and the overall group performance on a monthly basis.

### **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 he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

### **Auditor**

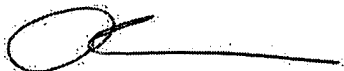
RSM UK Audit LLP were the auditors of the Company until 13 June 2019 when they resigned and were replaced by KPMG LLP, who are the auditors of the ultimate parent company.

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

### **Matters of Strategic Importance**

The company has chosen in accordance with Companies Act 2006, s414c(11) to set out in the Company's Strategic Report information required by Large and Medium Sized Companies and Group (Accounts and Reports) Regulations 2008, sch 7 to be contained in the Directors' Report. It has been done so in respect of future developments and dividends declared and paid.

On behalf of the Board



**A C G Brown**  
Director

22 October 2020

Financial Research Centre  
Haddenham Business Park  
Pegasus Way  
Haddenham  
Buckinghamshire  
HP17 8LJ



## **Statement Of Directors' Responsibilities In Respect Of The Strategic Report, Directors' Report And The Financial Statements**

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the 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 company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- assess the 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 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 company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the 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 company and to prevent and detect fraud and other irregularities.



**KPMG LLP**

1 Sovereign Square  
Sovereign Street  
Leeds  
LS1 4DA  
United Kingdom

**Independent Auditor's Report To The Members Of Defaqto Limited**

**Opinion**

We have audited the financial statements of Defaqto Limited ("the company") for the period ended 31 December 2019 which comprise the Statement of Profit and Loss and Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the period then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- 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 company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

**Going concern**

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company'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 its 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").

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. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

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 company will continue in operation.

**Strategic report and directors' report**

The directors are responsible for the strategic report and directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and directors' report 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 strategic report and directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and

## **Independent Auditor's Report To The Members Of Defaqto Limited (continued)**

- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

### **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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

### **Directors' responsibilities**

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements and for 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 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 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](http://www.frc.org.uk/auditorsresponsibilities).

### **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.



**Claire Needham (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
1 Sovereign Square  
West Yorkshire  
LS1 4DA  
22 October 2020

**Statement of profit and loss and other comprehensive income**  
*for the period ended 31 December 2019*

	<i>Note</i>	Period ended 31 December 2019	Adjusted (note 23) Year ended 31 July 2018
		Total £	Total £
<b>Turnover</b>	3	19,575,374	12,143,921
Staff costs	8	(7,493,623)	(4,831,280)
Other operating charges		(4,014,637)	(2,619,094)
Depreciation of tangible fixed assets		(140,974)	(94,225)
Amortisation of intangible fixed assets		(1,167,978)	(860,202)
<b>Operating profit</b>	4	6,758,162	3,739,120
Interest receivable and similar income	5	6,297	68
Interest payable on loans due to parent undertaking	6	(125,029)	(29,261)
<b>Profit before taxation</b>		6,639,430	3,709,927
Tax charge on profit on ordinary activities	9	(840,661)	(280,983)
<b>Profit after taxation and profit for the financial period</b>		5,798,769	3,428,944

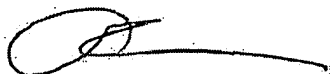
The notes on pages 12 to 25 form part of these financial statements.

**Statement of financial position**  
*as at 31 December 2019*

	Note	31 December 2019		Adjusted (note 23) 31 July 2018	
		£	£	£	£
<b>Fixed assets</b>					
Intangible assets	11	2,871,995		2,091,158	
Tangible assets	12	155,009		231,827	
		<u>3,027,004</u>		<u>2,322,985</u>	
<b>Current assets</b>					
Debtors	13	10,179,195		4,690,487	
Cash at bank and in hand		1,090,791		2,312,747	
		<u>11,269,986</u>		<u>7,003,234</u>	
<b>Current liabilities</b>					
Creditors: amounts falling due within one year	14	(6,815,646)		(6,439,675)	
<b>Net current assets</b>		<u>4,454,340</u>		<u>563,559</u>	
Creditors: amounts falling due after greater than one year	15	(604,290)		(1,929,261)	
Provisions for liabilities: deferred tax	16	(422,424)		(301,422)	
<b>Net assets</b>		<u>6,454,630</u>		<u>655,861</u>	
<b>Capital and reserves</b>					
Called up share capital	17	2		2	
Retained earnings		6,454,628		655,859	
<b>Total equity</b>		<u>6,454,630</u>		<u>655,861</u>	

The notes on pages 12 to 25 form part of these financial statements.

These financial statements on pages 9 to 25 were approved on 22 October 2020 by the Board of Directors and were signed on its behalf by:



**A C G Brown**  
Director

Defaqto Limited

Registered number 2870220

**Statement of changes in equity**  
*For the period ended 31 December 2019*

	Share capital £	Retained earnings £	Total £
Balance at 31 July 2017	2	6,020,538	6,020,540
Impact of conversion to FRS 101 (note 23)	-	(1,794,456)	(1,794,456)
Adjusted balance at 31 July 2017	2	4,226,082	4,226,084
Profit for the year	-	3,428,944	3,428,944
Total comprehensive income for the year	-	3,428,944	3,428,944
Dividends paid	-	(6,999,167)	(6,999,167)
Total transactions with shareholders	-	(6,999,167)	(6,999,167)
Balance at 31 July 2018	2	655,859	655,861
Profit for the period	-	5,798,769	5,798,769
Total comprehensive income for the period	-	5,798,769	5,798,769
Balance at 31 December 2019	2	6,454,628	6,454,630

The notes on pages 12 to 25 form part of these financial statements.

## Notes (forming part of the financial statements)

### 1 Accounting policies

#### Company information

Defaqto Limited ("the Company") is a private company limited by shares, domiciled and incorporated in England.

The address of the Company's registered office and principal place of business is Financial Research Centre, Haddenham Business Park, Pegasus Way, Haddenham, Buckinghamshire, HP17 8LJ.

The Company's principal activities and the nature of the Company's operations are described in the Directors' Report and the Strategic Report.

The Company's ultimate parent undertaking, The SimplyBiz Group plc includes the Company in its consolidated financial statements. The consolidated financial statements of The SimplyBiz Group plc are available to the public and may be obtained from St. Andrew's House, St. Andrew's Road, Huddersfield, HD1 6NA.

#### Basis of accounting

##### First time adoption of FRS 101

These financial statements are prepared under the historical cost convention and are the first financial statements of Defaqto Limited prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* applicable in the UK and Republic of Ireland ("FRS 101"). The financial statements of Defaqto Limited for the year ended 31 July 2018 were prepared in accordance with Financial Reporting Standard 102 ("FRS 102").

Some of the FRS 101 recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from those under FRS 102. Consequently, the directors have amended certain accounting policies to comply with FRS 101.

Comparative figures have been restated to reflect adjustments made. Adjustments are recognised directly in retained earnings at the transition date of 1 August 2017. See note 23 for further information.

Monetary amounts in these financial statements are rounded to the nearest £1 except where otherwise indicated.

The period presented in these financial statements is the 17 months to 31 December 2019 and as such is not entirely comparable with the prior period. A long period has been presented in order to align the year end of all companies within the group of companies including the ultimate parent company The SimplyBiz Group plc and all of its subsidiaries.

#### Reduced disclosures

In accordance with FRS 101, the Company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes;
- Comparative period reconciliations for tangible fixed assets and intangible fixed assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Key Management Personnel compensation;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs; and
- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures*.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Functional and presentational currencies*

The financial statements are presented in sterling which is also the functional currency of the Company.

#### *Going concern*

The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

The Directors manage the Company alongside the other companies within the group of companies of which it is a subsidiary (the "Group"), with Group banking facilities in place of £45,000,000 until March 2024, of which £45,000,000 is drawn as of 30 June, 2020. The Group Directors have prepared cash flow forecasts for the Group for the period to December 2021 which indicate that, taking account of severe but plausible downside scenarios, the Group, including this Company will have sufficient funds, through the Group's combined banking facilities to meet its liabilities as they fall due for that period.

The cash flow forecasts include the impact of the recent global outbreak of Covid-19, which has led to a net 1% drop of revenue in the first half of the year across the Group. Various sensitivity analyses have been performed to assess the impact of more severe but plausible downside scenarios to future trading including a 10% reduction in revenue streams for the second half of 2020, with the exception of a 50% reduction in revenue for the second half of 2020 linked to the housing market. Furthermore, the severe but plausible downside scenarios model a continued decrease of 10% in revenue, with the exception of a 50% decrease in housing market linked revenue, through December 2021. These scenarios do not include any potential cost mitigating action plans. Under these severe but plausible downside scenarios the Group continues to operate within its available facilities and does not incur any covenant breaches.

The position of the Company is dependent on The SimplyBiz Group plc not seeking repayment of the amounts currently due to other entities within the group, which at 31 December 2019 amounted to £604,290. The SimplyBiz Group plc has indicated its intention to continue to make available such funds as are needed by the Company, and that it does not intend to seek repayment of the amounts due at the balance sheet date, for the period covered by the forecasts. As with any Company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due until at least December 2021 and therefore have prepared the financial statements on a going concern basis.

#### *Turnover*

Turnover is the amount derived from the provision of services falling within the Company's ordinary activities and is stated net of Value Added Tax. Turnover is recognised when performance of the services is delivered. Certain services are delivered at one point in time and turnover relating to those services is recognised at that point in time. Other services are delivered over a period of time in which case turnover is spread over the delivery period.

Any consideration received in advance of performance is recognised as deferred income. Such deferred income is released to turnover as performance occurs. Any consideration received in arrears of performance is recognised as accrued income when performance occurs. Any such accrued income is released when invoicing occurs.

#### *Other income*

Interest income is accrued on a time-apportioned basis, by reference to the principal outstanding at the effective interest rate.



## Notes (continued)

### 1 Accounting policies (continued)

#### *Employee benefits*

The costs of short-term employee benefits are recognised as a liability and an expense. Employees are entitled to carry forward any unused holiday entitlement at the reporting date. The cost of any unused entitlement is recognised in the period in which the employee's services are received.

The best estimate of the expenditure required to settle an obligation for termination benefits is recognised immediately as an expense when the Company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

#### *Retirement benefits*

The Company operates a defined contribution pension scheme. The amount charged to profit or loss is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

#### *Intangible fixed assets and amortisation*

Intangible assets purchased in relation to computer software are capitalised at their cost and amortised through profit or loss in equal instalments over their estimated useful life of three years.

#### *Research and development*

Research expenditure is written off as the costs are incurred. Development costs are treated in the same way unless the directors are satisfied as to the technical, commercial and financial viability of individual projects and costs attributable to the projects can be reliably measured and the Company has the resources to complete those projects. In this situation, the expenditure is capitalised as an intangible fixed asset and amortised over the period during which the Company is expected to benefit of 3 years.

#### *Tangible fixed assets*

Tangible fixed assets are stated at their purchase price, together with any incidental expenses of acquisition. Provision for depreciation is made so as to write off the cost of tangible fixed assets over their expected useful lives on a straight line basis. The principal rates used for this purpose are as follows:

Leasehold improvements	-	over life of lease or asset life if lower
Office furniture, fixtures and fittings	-	20% to 33⅓% per annum
Office equipment	-	33⅓% per annum

Residual value is calculated on prices prevailing at the reporting date, after estimated costs of disposal, for the asset as if it were at the age and in the condition expected at the end of its useful life.

#### *Taxation*

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current tax is based on taxable profit for the year. Taxable profit differs from total comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is not discounted.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

## Notes (continued)

### 1 Accounting policies (continued)

Current and deferred tax is charged or credited in profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

#### *Leased assets*

Operating lease rentals are charged to profit or loss on a straight line basis over the period of the lease.

#### *Classification of financial instruments issued by the Company*

In accordance with FRS 101, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- they include no contractual obligations upon the company 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 company; and
- where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's 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 company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

#### *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 payables.

#### *Trade and other receivables*

Trade and other receivables are recognised at fair value, minus expected future losses. A provision for impairment of trade receivables is recognised based on lifetime expected losses, but principally comprise balances where objective evidence exists that the amount will not be collectible. Such amounts are written down to their estimated recoverable amounts, with the charge being made to operating expenses.

#### *Interest-bearing borrowings classified as basic financial instruments*

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

#### *Trade and other payables*

Trade and other payables are recognised at fair value.

#### *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.

#### *Amounts owed by / to Group Undertakings*

Amounts owed by / to group undertakings are classified as current assets / liabilities, unless specific payment terms are in place.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Dividends*

Dividends are recognised as liabilities once they are no longer at the discretion of the Company.

#### **Adoption of new and revised standards**

A number of new and revised IFRSs have been issued and are due to be effective for the Company in future financial periods, with their impacts due to effect FRS 101 adopters. Their adoption is not expected to have a material effect on the financial statements, other than the standards noted below:

- IFRS 16 *Leases* is a replacement for IAS 17 *Leases*, and will be effective for the Company for the period ending 31 December 2020. IFRS 16 requires lessees to recognise a lease liability reflecting future lease payments and a right of use asset for lease contracts.

The Company has performed an assessment of the impact of IFRS 16 on its existing lease portfolio and it is expected to impact the majority of their 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 of 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:

The Company is planning to adopt the new standard under the modified retrospective transition approach, with the increase in assets and liabilities expected to be material to the financial statements.

### 2 Critical accounting estimates and areas of judgement

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### *Critical accounting estimates and assumptions*

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

The Company makes an estimate of the recoverable value of trade and other debtors. A provision for impairment of trade receivables is recognised based on lifetime expected losses, but principally comprise balances where objective evidence exists that the amount will not be collectible. Such amounts are written down to their estimated recoverable amounts, with the charge being made to operating expenses.

#### *Critical areas of judgement*

The directors apply their judgement in making estimates of the technical, commercial and financial viability and useful economic life of capitalised development costs. This judgement takes into consideration historical experience of the speed of change in the retail finance market and the longevity of benefits that arose historically from previous developments.

### 3 Turnover

The Company's entire turnover is derived from the sale of research data and associated tools in the United Kingdom.

## Notes (continued)

### 4 Operating profit

	Period ended 31 December 2019 £	Year ended 31 July 2018 £
<i>Operating profit is stated after charging:</i>		
Depreciation and amortisation	1,308,952	954,427
Hire of land and buildings – rentals payable under operating leases	140,480	85,462
Hire of plant and equipment – rentals payable under operating leases	221,082	252,225
Research expenditure	320,614	85,626
	<hr/>	<hr/>
Auditor's remuneration		
Audit of these financial statements	29,000	28,000
	<hr/>	<hr/>

Amounts receivable by the Company's auditor in respect of services to the Company and its associates, other than the audit of the Company's financial statements, have not been disclosed as the information is disclosed on a consolidated basis in the consolidated financial statements of the ultimate parent company (The SimplyBiz Group plc).

Those audit fees incurred in the year ended 31 July 2018 were payable to the prior auditors.

### 5 Interest receivable and similar income

	Period ended 31 December 2019 £	Year ended 31 July 2018 £
Bank deposit interest	6,297	68
	<hr/>	<hr/>
	6,297	68
	<hr/>	<hr/>

### 6 Interest payable and similar expenses

	Period ended 31 December 2019 £	Year ended 31 July 2018 £
Interest payable on loans due to parent undertaking	125,029	29,261
	<hr/>	<hr/>

## Notes (continued)

### 7 Directors' remuneration

In respect of the directors of Defaqto Limited:

	Period ended 31 December 2019 £	Year ended 31 July 2018 £
Directors' emoluments	36,643	18,542

In addition to the above, the Directors received remuneration of £888,100, (2018: £639,519) from Defaqto Group Limited, a group undertaking of the Company, with recharges made to the Company as part of a management charge.

### 8 Staff numbers and costs

The average monthly number of persons employed by the Company during the period, analysed by category, was as follows:

	Number of employees	
	Period ended 31 December 2019	Year ended 31 July 2018
Research	60	58
Administration (including product development)	41	35
Sales and marketing	30	29
	<u>131</u>	<u>122</u>

The aggregate payroll costs of these persons were as follows:

	Period ended 31 December 2019 £	Year ended 31 July 2018 £
Wages and salaries	7,264,010	4,503,239
Social security costs	825,103	517,818
Pension costs	1,112,047	662,760
	<u>9,201,160</u>	<u>5,683,817</u>
Staff costs capitalised as development costs	(1,707,537)	(852,537)
	<u>7,493,623</u>	<u>4,831,280</u>

## Notes (continued)

### 9 Taxation

	Period ended 31 December 2019 £	Adjusted (note 23) Year ended 31 July 2018 £
<b>UK corporation tax</b>		
Current tax charge on income for the year	260,128	394,217
Adjustments in respect of prior years	(37,327)	(64,384)
<b>Total current tax</b>	<b>222,801</b>	<b>329,833</b>
<b>Deferred tax (see note 16)</b>		
Origination and reversal of timing differences	632,198	(33,405)
Adjustments in respect of prior years	(92)	(10,968)
Effect of change in tax rate	(14,246)	(4,477)
<b>Total deferred tax</b>	<b>617,860</b>	<b>(48,850)</b>
<b>Tax charge on profit</b>	<b>840,661</b>	<b>280,983</b>

Factors affecting the tax charge for the current year:

The tax charge for the year is lower than the standard rate of corporation tax in the UK of 19%. The differences are explained below:

	Period ended 31 December 2019 £	Adjusted (note 23) Year ended 31 July 2018 £
<b>Profit</b>	<b>6,639,430</b>	<b>3,709,927</b>
Tax at 19%	1,261,492	704,886
Expenses not deductible for tax purposes	77,389	31,380
Group tax relief received	(304,465)	(332,074)
Effect of change in tax rate	(14,246)	(4,477)
Other differences	(17,090)	(43,380)
Research and development tax credit	(125,000)	-
Adjustments in respect of prior years	(37,419)	(75,352)
<b>Total tax charge (see above)</b>	<b>840,661</b>	<b>280,983</b>

#### Changes affecting the future tax charge

Reductions in the UK corporation tax rate from 19% to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020.

## Notes (continued)

### 10 Dividends

	Period ended 31 December 2019	Year ended 31 July 2018
Ordinary dividends paid		6,999,167

### 11 Intangible fixed assets

	Development costs £	Computer software £	Total £
<b>Cost</b>			
At 1 August 2018	7,259,889	342,319	7,602,208
Additions	1,948,815	-	1,948,815
	<u>9,208,704</u>	<u>342,319</u>	<u>9,551,023</u>
At 31 December 2019			
<b>Amortisation</b>			
At 1 August 2018	5,214,623	296,427	5,511,050
Charge for year	1,142,010	25,968	1,167,978
	<u>6,356,633</u>	<u>322,395</u>	<u>6,679,028</u>
At 31 December 2019			
<b>Net book value</b>			
At 31 December 2019	2,852,071	19,924	2,871,995
	<u>2,045,266</u>	<u>45,892</u>	<u>2,091,158</u>
At 31 July 2018			

There are no contractual commitments to acquire intangible assets.

**Notes (continued)**

**12 Tangible fixed assets**

	Leasehold improvements £	Office furniture, fixtures and fittings £	Office equipment £	Total £
<i>Cost</i>				
At 1 August 2018	288,215	47,742	176,069	512,026
Additions	24,789	5,846	33,521	64,156
At 31 December 2019	313,004	53,588	209,590	576,182
<i>Depreciation</i>				
At 1 August 2018	124,164	20,735	135,300	280,199
Charge for year	78,186	21,345	41,443	140,974
At 31 December 2019	202,350	42,080	176,743	421,173
<i>Net book value</i>				
At 31 December 2019	110,654	11,508	32,847	155,009
At 31 July 2018	164,051	27,007	40,769	231,827



## Notes (continued)

### 13 Debtors

	31 December 2019 £	Adjusted (note 23) 31 July 2018 £
Trade debtors	2,423,914	540,416
Corporation tax	272,172	-
Amounts owed by group undertakings	7,147,537	3,395,728
Prepayments and accrued income	335,572	257,485
Deferred tax asset (see note 16)	-	496,858
	<u>10,179,195</u>	<u>4,690,487</u>

Amounts owed by group undertakings are payable on demand and do not attract interest.

### 14 Creditors: amounts falling due within one year

	31 December 2019 £	Adjusted (note 23) 31 July 2018 £
Trade creditors	180,098	159,651
Other taxation and social security	466,293	329,193
Corporation tax due	-	177,888
Other creditors	117,838	115,994
Accruals and deferred income	6,051,417	5,656,949
	<u>6,815,646</u>	<u>6,439,675</u>

### 15 Creditors: amounts falling due after greater than one year

	31 December 2019 £	31 July 2018 £
Amounts due to parent undertaking	604,290	1,929,261
	<u>604,290</u>	<u>1,929,261</u>

The Company borrowed £1,900,000 from its direct parent undertaking Regulus Bidco Limited on 22 May 2018. The loan bears interest at 8% per annum, such interest accruing and being due for payment on maturity of the loan on 22 May 2025. On 21 March 2019, £1,450,000 of the loan principal was repaid.

## Notes (continued)

### 16 Deferred taxation

	Deferred tax asset £	Deferred tax liability £	Net deferred tax asset/ (liability) £
At 1 August 2018 (adjusted – see note 23)	496,858	(301,422)	195,436
Charge to profit or loss for the period	(496,858)	(121,002)	(617,860)
	<hr/>	<hr/>	<hr/>
At 31 December 2019	–	(422,424)	(422,424)
	<hr/>	<hr/>	<hr/>

The elements of these balances are as follows:

	31 December 2019 £	Adjusted (note 23) 31 July 2018 £
Depreciation in advance of capital allowances	40,742	(35,703)
Other timing differences	(463,166)	231,139
	<hr/>	<hr/>
	(422,424)	195,436
	<hr/>	<hr/>

### 17 Share capital and reserves

	31 December 2019 £	31 July 2018 £
<i>Allotted, called up and fully paid</i>		
2 Ordinary shares of £1 each	2	2
	<hr/>	<hr/>

The Company's ordinary shares, which carry no right to fixed income, carry the right to one vote at general meetings of the Company.

## Notes (continued)

### 18 Pension scheme

#### *Defined contribution pension scheme*

The Defaqto Personal Pension Plan is a defined contribution plan and is open to all employees of the Company that have completed three months' service. The Company doubles the contributions made by employees up to a maximum company contribution of 10% of salary (2018: 10%). The pension cost for the period represents contributions payable by the Company to the scheme and amounted to £1,112,047 (2018: £662,760). Included in creditors due within one year is £72,647 (2018: £62,716) in respect of contributions due in relation to this pension scheme.

### 19 Ultimate parent company and controlling party

The immediate parent undertaking is Regulus Bidco Limited. The ultimate parent undertaking is The SimplyBiz Group plc (formerly The SimplyBiz Group Limited), which is the only set of consolidated financial statements which include the results of the Company. These accounts can be obtained from:

St. Andrew's House  
St. Andrew's Road  
Huddersfield  
HD1 6NA.

In the opinion of the directors, the ultimate controlling party is The SimplyBiz Group plc (formerly The SimplyBiz Group Limited).

### 20 Commitments

The total future minimum lease payments under non-cancellable operating leases are as follows:

	2019		2018	
	Land and buildings £	Other £	Land and buildings £	Other £
Due within one year	116,343	128,034	63,750	219,220
Due 2-5 years inclusive	464,418	97,537	-	202,900
Due in greater than 5 years	504,152	-	-	-
	<u>1,084,913</u>	<u>225,571</u>	<u>63,750</u>	<u>422,120</u>

### 21 Contingent liabilities

The Company is registered with HMRC as a member of a group for VAT purposes, and as a result is jointly and severally liable on a continuing basis for amounts owing by any other members of that group in respect of unpaid VAT. At the reporting date, the outstanding VAT balance of the other group companies in the VAT group, of which the Company is a member, was a receivable amount of £ nil (2018: £2,492).

## Notes (continued)

### 22. Related party transactions

The Company has taken advantage of the exemption within FRS101 and therefore not disclosed details of transactions with fellow wholly-owned companies within the group headed by The SimplyBiz Group plc.

The Company provided services to Comparison Creator Limited, a majority owned subsidiary of The SimplyBiz Group plc. Turnover recognised aggregated £29,861 during the period to 31 December 2019 (2018: £10,025) and as at 31 December 2019 the Company was owed £2,400 by Comparison Creator Limited (2018: £3,981).

### 23. First time adoption of FRS 101

Reconciliations and descriptions of the effect of transition to FRS 101 on: (i) equity at the date of transition; and (ii) equity at the end of the comparative period reported under previous UK GAAP are given below.

	At 1 August 2017			At 31 July 2018		
	As previously stated £	Effect of transition £	FRS 101 (restated) £	As previously stated £	Effect of transition £	FRS 101 (restated) £
Total equity	6,020,340	(1,794,456)	4,226,084	2,774,045	(2,118,184)	655,861

The transition to FRS 101 reduced the profit or loss for the comparative period reported under previous UK GAAP by £323,728.

On transition to FRS 101, the Company reviewed the recognition policy for certain revenue streams and deemed that they should be spread over the period of continuing obligation rather than upon delivery. The effect of this was to defer £2,215,378 of revenue as at 1 August 2017, and recognise a deferred income creditor with a deferred tax asset arising thereon at 19% of £420,922. The net impact was a £1,794,456 reduction in total comprehensive income. At 31 July 2018, £2,615,042 of revenue was deferred and recognised as a deferred income creditor with a deferred tax asset of £496,858 being recognised.