Simply Biz Services Limited

Strategic report, Directors' report and financial statements

Registered number 04590781

31 December 2019

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Contents

Company information

Directors	KE Davy DRC Kershaw ML Timmins NM Stevens GJ Kershaw DA Golder R Ardron DP Russell JL Laing
Registered office	St. Andrews House St. Andrews Road Huddersfield HD1 6NA
Registered number	04590781 (England and Wales)
Auditor	KPMG LLP 1 Sovereign Square Sovereign Street Leeds LS1 4DA

Strategic report

The directors present their strategic report of the company for the year ended 31 December 2019.

Results	**Year ended 31 December 2019**	Year ended 31 December 2018
	£	£
Turnover	**22,460,323**	20,820,070
Operating profit	**5,242,996**	5,376,879

Progress

2019 has been another positive year for the group as we continued to develop our model of generating recurring revenues from Intermediary Services, and Distribution Channels to the UK retail financial services market. Our core intermediary services customer base grew to 2,899 firms (31 December 2018: 2,803). Whilst the company has a share of the Consumer Credit market, it remains nascent and will be incubated until demand for services increases.

We provided distribution channels to over 100 financial institutions during the year.

Market Overview

The Company firmly believes that demand for professional financial advice will continue to grow, due to the widely acknowledged increase in regulatory pressures, IFA growth, and increased propensity to outsource. The transfer of personal wealth from generation to generation means that professional advice, tax and estate planning will become increasingly important.

Retirement and later life planning has never been more important following the arrival of the pension freedoms in 2015. The continued increase in demand for equity release products and their gradual move into more mainstream lending, has further reinforced the need for financial advice.

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

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

The Future

The business continues to benefit from a loyal customer base, attractive margins, and a highly-trained and committed team of staff. During 2020 the business will concentrate on supporting its customer base during these unprecedented times, and ensure the Company is well position for the future.

We plan to continue to grow customer numbers and average revenue per customer, through a strategy of targeting higher value customers.

Strategic report *(continued)*

Key Performance Indicators

The Board reviews Key Performance Indicators (KPIs) for the Group. Further details on the KPIs for the Group are provided in the financial statements of The SimplyBiz Group plc. At a company level the Board reviews revenue, operating profit and profit as set out in the profit and loss account.

NM Stevens
Director

St. Andrews House
St. Andrews Road
Huddersfield
HD1 6NA

22 October 2020

Directors' report

The directors present their report and financial statements of the company for the year ended 31 December 2019.

Principal activities

The principal activities of the Group during the year was the provision of business services and distribution solutions to the retail financial services sector.

Dividends

Dividends paid during the year comprise a final dividend of £9,000,000 (*2018: £Nil*).

Directors

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

KE Davy
DRC Kershaw
SC Turvey (resigned 30 April 2019)
ML Timmins
NM Stevens
GJ Kershaw
DA Golder
R Ardron
JL Laing
DP Russell

Future Developments

The Directors do not anticipate any material change in the activities of the company for the foreseeable future.

Principal risks and uncertainties

The Directors review and where possible mitigate known business risks. The principal risks of the Group are detailed in the financial statements of The SimplyBiz Group plc (formerly The SimplyBiz Group Limited). The directors do not believe that there are any significant risks and uncertainties associated with this company.

Actions taken to ensure that the business is well positioned to fully support the requirements of its customers and colleagues during the Covid 19 pandemic have been successful. The business has continued to provide all services to its customers during the lockdown period and employees were able to work from remote locations immediately, avoiding any material impact to trading.

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, with group banking facilities in place of £45m until March 2024. 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.

Directors' report *(continued)*

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 the Company's diversified and solely UK revenue streams, together with regular monitoring of the financial markets, provide some degree of mitigation.

Disclosure of information to auditor

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

Other information

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

Directors' indemnities

As permitted by the Articles of Association, the irectors 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 throughout the last financial year and is currently in force.

Auditor

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

By order of the board

NM Stevens
Director

St. Andrews House
St. Andrews Road
Huddersfield
HD1 6NA

22 October 2020

Statement of directors' responsibilities in respect of the Strategic Report, the 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 Simply Biz Services Limited

Opinion

We have audited the financial statements of Simply Biz Services Limited ("the company") for the year ended 31 December 2019 which comprise the Statement of Profit and Loss and Other Comprehensive Income, Balance Sheet, 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 year 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 the 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 the 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 the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

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.

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.

C. Needham

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

Profit and loss account and other comprehensive income
for the year ended 31 December 2019

	Note	31 December 2019 £	31 December 2018 £
Turnover		**22,460,323**	20,820,070
Operating costs		**(17,217,327)**	(15,443,191)
Operating profit	*3-4*	**5,242,996**	5,376,879
Income from shares in group undertakings		**4,000,000**	-
Profit on ordinary activities before taxation		**9,242,996**	5,376,879
Tax on profit on ordinary activities	*5*	**(1,009,855)**	(1,058,057)
Profit for the financial year		**8,233,141**	4,318,822

There are no items to be included in Other Comprehensive Income in the current or preceding year.

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

Balance sheet
at 31 December 2019

	Note	31 December 2019		31 December 2018	
		£	£	£	£
Fixed assets					
Investments	*6*		801,002		801,002
Lease asset	*7/8*		17,094		-
			818,096		801,002
Current assets					
Debtors	*9*	8,368,593		5,417,634	
Cash and cash equivalents		3,023,404		3,430,102	
		11,391,997		8,847,736	
Creditors: amounts falling due within one year	*10*	(8,518,434)		(5,190,220)	
Net current assets			2,873,563		3,657,516
Total assets less current liabilities			3,691,659		4,458,518
Net assets			3,691,659		4,458,518
Capital and reserves					
Called up share capital	*12*		50,000		50,000
Profit and loss account			3,641,659		4,408,518
Shareholders' funds			3,691,659		4,458,518

These financial statements were approved by the board of directors on 22 October 2020 and were signed on its behalf by:

NM Stevens
Director

Company registered number: 04590781

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

Statement of changes in equity
for the year ended 31 December 2019

	Called up share capital £	Profit and loss account £	Total equity £
Balance at 1 January 2018	50,000	89,696	139,696
Total comprehensive income for the period			
Profit for the period	-	4,318,822	4,318,822
Total comprehensive income for the period	-	4,318,822	4,318,822
Transactions with owners, recorded directly in equity			
Dividends	-	-	-
Total contributions by and distributions to owners	-	-	-
Balance at 31 December 2018	**50,000**	**4,408,518**	**4,458,518**
Balance at 1 January 2019	50,000	4,408,518	4,458,518
Total comprehensive income for the period			
Profit for the period	-	8,233,141	8,233,141
Total comprehensive income for the period	-	8,233,141	8,233,141
Transactions with owners, recorded directly in equity			
Dividends	-	(9,000,000)	(9,000,000)
Total contributions by and distributions to owners	-	(9,000,000)	(9,000,000)
Balance at 31 December 2019	**50,000**	**3,641,659**	**3,691,659**

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

Notes

(forming part of the financial statements)

1 Accounting policies

Simply Biz Services Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK. The address of its registered office is St. Andrews House, St. Andrews Road, Huddersfield, HD1 6NA.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* applicable in the UK and Republic of Ireland (*"FRS 101"*). The presentation currency of these financial statements is sterling.

The Company's ultimate parent undertaking, The SimplyBiz Group plc (formerly The SimplyBiz Group Limited) 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. Andrews House, St. Andrews Road, Huddersfield, HD1 6NA. These separate financial statements contain information about Simply Biz Services Limited as an individual Company and do not contain consolidated financial information as the parent of a group. The Company has taken advantage of the exemption under section 400 of the Companies Act, from the requirement to prepare consolidated financial statements as it and its subsidiaries are included by full consolidation in the consolidated financial statements of its parent, The SimplyBiz Group plc, which are publicly available.

In these financial statements, 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;
- 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*.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

1.2 Change in accounting policy

The Company has adopted IFRS 16: Leases (See note 8). This has been adopted using the modified retrospective method and as a result the comparatives have not been restated and are reported under IAS 17.

1.3 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, with group banking facilities in place of £45m until March 2024, of which £45m 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.

Notes *(continued)*

1 Accounting policies *(continued)*

1.3 Going concern (continued)

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 £7,660,243. 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.

1.4 Critical accounting estimates

The Company makes estimates and assumptions regarding the future. Estimates are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities or to the financial statements in general within the next financial year are discussed below:

Impairment of trade debtors
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.

1.5 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.

Notes *(continued)*

1 Accounting policies *(continued)*

1.6 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 (Company only)
Amounts owed by / to group undertakings are classified as current assets / liabilities, unless specific payment terms are in place

Investments in ordinary shares
Investments in equity instruments are measured initially at fair value, which is normally the transaction price. Transaction costs are excluded if the investments are subsequently measured at fair value through profit and loss. Subsequent to initial recognition investments that can be measured reliably are measured at fair value with changes recognition in profit or loss. Other investments are measured at cost less impairment in profit or loss.

1.7 Tangible fixed assets

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

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

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

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

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

Notes *(continued)*

1 Accounting policies *(continued)*

1.8 Leases

The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17.

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. 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. IFRS 16.

As a lessee

At commencement or on modification of a contract that contains a lease component, along with one or more other lease or non-lease components, the Company accounts for each lease component separately from the non-lease components. However, for the leases of class of underlying asset, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component. The Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price and the aggregate stand-alone price of the non-lease components.

The Company 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, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, 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 Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise,
- lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and
- penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, to the extent that the right-of-use asset is reduced to nil, with any further adjustment required from the remeasurement being recorded in profit or loss.

The Company presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

Notes *(continued)*

1 Accounting policies *(continued)*

1.8 Leases (continued)

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for lease of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

1.9 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

1.10 Revenue recognition

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

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

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

Membership fees

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

Additional services

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

Marketing Service Agreements and Marketing Licencing

Marketing Service Agreements are provided to third-party financial institutions, and predominately subject to annual contracts. Contracts can include a number of individual performance obligations that are recognised separately as the service is delivered. The value of each performance obligation is based on internal list prices, relative to the total value of the contract. Where contracts relate to the provision of marketing collateral, revenue is recognised over the period of the contract, in line with the support provided to the customer and maintenance of the licenced brand (output method).

Notes *(continued)*

1 Accounting policies *(continued)*

1.11 Taxation

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

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

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

2 Change in significant accounting policies

The Company has applied IFRS 16 using the modified retrospective with cumulative effect method – i.e. by recognising the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of equity at 1 January 2019. Therefore, the comparative information has not been restated and continues to be reported under IAS 17. The disclosure requirements in IFRS 16 have not been applied to comparative information. The details of the changes and quantitative impact are set out below.

Definition of a lease

Previously the Company determined at contract inception whether an arrangement was or contained a lease under IFRIC 4: Determining whether an Arrangement contains a Lease. The Company now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in note 1. On transition to IFRS 16, the Company elected to apply the practical expedient to apply IFRS 16 only to contracts that were previously identified as leases. Contracts that were not previously identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease under IFRS 16. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee.

The Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Only finance leases were then recognised on the balance sheet.

Under IFRS 16, the Company recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

Leases classified as operating leases under IAS 17

On transition, for operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at 1 January 2019.

Right-of-use assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments: the Company applied this approach to all other leases.

Notes *(continued)*

2 Change in significant accounting policies *(continued)*

The Company used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular these were:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets;
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term

The following table summarises the quantitative impact of adopting IFRS 16 on the Company's financial statements for the year ending 31 December .

	Impact of adoption of IFRS 16		
	As reported 31 December 2018	**Adjustments**	**Balance at 1 January 2019**
	£000	**£000**	**£000**
Balance sheet			
Lease asset	-	70,192	70,192
Lease liability (current)	-	53,648	53,648
Lease liability (non-current)	-	16,544	16,544

When measuring the lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using its incremental borrowing rate at 1 January 2019 of 3.1%.

The following table summarises the difference between the operating lease commitments disclosed under IAS 17 at 31 December 2018 in the Company's financial statements and the lease liabilities recognised at 1 January 2019:

	1 January 2019 £
Operating lease commitments at 31 December 2018 as disclosed under IAS 17	81,323
Discounted using the incremental borrowing rate at 1 January 2018	(11,131)
Lease liabilities recognised as at 1 January 2019	**70,192**

Notes *(continued)*

3 Profit and loss account information

The company's activities consist solely of the Company's principal activity in the UK.

The operating profit is stated after charging:

	31 December 2019	31 December 2018
	£	£
Other operating leases (IAS 17)	-	53,648
Depreciation of right of use assets	**53,098**	-

Auditors' remuneration of £9,000 (2018: £9,000) is borne by a fellow group undertaking.

4 Directors' remuneration, staff numbers and costs

There were no employees during the year other than directors. All staff costs, including directors' costs, are paid by the parent company and recharged to the company via management charges. The Company was recharged £611,000 (2018: £611,000) with respect to Directors' costs. This is considered to be equivalent to the amount attributable to the services provided by the directors to the Company.

Notes *(continued)*

5 Taxation

Total tax charge recognised in the profit and loss account

	31 December 2019 £	31 December 2018 £
Current tax		
Current tax on income for the period	**1,043,771**	1,058,248
Adjustments in respect of prior periods	**(33,916)**	(566)
Total current tax	**1,009,112**	1,057,682
Deferred tax		
Origination and reversal of timing differences	**743**	375
Total deferred tax (see note 11)	**743**	375
Total tax charge	**1,009,855**	1,058,057

All tax is recognised in the profit and loss account.

Reconciliation of effective tax rate

	31 December 2019 £	31 December 2018 £
Profit for the year	**8,233,141**	4,318,822
Total tax charge	**1,009,855**	1,058,057
Profit before taxation	**9,242,996**	5,376,879
Tax using the UK corporation tax rate of 19% *(2018: 19%)*	**1,756,169**	1,021,607
Effects of:		
Expenses not deductible for tax purposes	**48,345**	37,546
Capital allowances in excess of depreciation	**(743)**	(530)
Income not taxable	**(760,000)**	-
Adjustments in respect of prior periods	**(33,916)**	(566)
Total tax charge included in the profit or loss	**1,009,855**	1,058,057

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)*

6 Investments

	Shares in group undertakings £
Cost	
At 31 December 2018 and 31 December 2019	801,002
Impairment	
At 31 December 2018 and 31 December 2019	-
Net book value	
At 31 December 2019	**801,002**
At 31 December 2018	801,002

	Country of incorporation	Principal activity	Class and percentage of shares held
Subsidiary undertakings			
Capital Reward Clients Limited	UK	Holding of clients from retired IFAs	Ordinary 100%
SimplyBiz Mortgages Limited	UK	Provision of mortgage club facility	Ordinary 100%
Professional Finance Broking Limited	UK	Dormant	Ordinary 100%

The address of the registered office of the subsidiaries above is St. Andrews House, St. Andrews Road, Huddersfield, HD1 6NA.

Management consider investment values to be fully supported by the net assets of each subsidiary.

Notes *(continued)*

7 Tangible fixed assets

	Property	Office equipment	Total
	£	£	£
Cost			
Balance at 1 January 2019	-	-	-
Recognition of right-of-use asset on initial application of IFRS 16	44,594	25,598	70,192
Adjusted balance at 1 January 2019	44,594	25,598	70,192
Additions	-	-	-
Disposals	-	-	-
Balance at 31 December 2019	44,594	25,598	70,192
Depreciation			
At 1 January 2019	-	-	-
Charge for year	27,500	25,598	53,098
Disposals	-	-	-
Balance at 31 December 2019	27,500	25,598	53,098
Net book value			
At 31 December 2019	**17,094**	**-**	**17,094**
At 31 December 2018	-	-	-

Right-of-use assets

At 31 December, tangible fixed assets includes right-of-use assets as follows:

	Property	Office equipment	Total
	£	£	£
Cost			
Balance at 31 December 2019	17,094	-	17,094

Notes *(continued)*

8 Leases

Amounts recognised in the statement of financial position

The balance sheet shows the following amounts relating to leases

Right-of-use assets

Right-of-use assets related to lease properties that do not meet the definition of investment properties are presented as property, plant and equipment (see note 7):

	Property	Office equipment	Total
	£	£	£
Balance at 1 January 2019	44,594	25,598	70,192
Additions to right-of-use aset	-	-	-
Depreciation charge for the year	(27,500)	(25,598)	(53,098)
Adjusted balance at 1 January 2019	17,094	-	17,094

Lease Liabilities

The following lease liabilities existed at 31 December:

	31 December 2019	31 December 2018
	£	£
Current liability (note 10)	**16,544**	-

Changes in lease liabilities from financing activities

	£
Balance at 1 January 2019	70,192
Lease payments	(53,648)
Balance at 31 December 2019	**16,544**

Amounts recognised in profit or loss

The following amounts have been recognised in profit or loss for which the Company is a lessee:

	£
Leases under IFRS 16 (2019)	
Depreciation charge for the year	53,098

	£
Operating leases under IAS 17 (2018)	
Lease expense	53,648

Notes *(continued)*

9 Debtors

	31 December 2019 £	31 December 2018 £
Amounts falling due within one year:		
Trade debtors	**2,020,758**	3,419,825
Amounts owed by group undertakings	**5,643,110**	1,686,326
Deferred tax asset (see note 11)	**3,385**	4,128
Prepayments	**82,243**	73,746
Accrued income	**619,097**	233,609
	8,368,593	5,417,634

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

10 Creditors: amounts falling due within one year

	31 December 2019 £	31 December 2018 £
Trade creditors	**617,650**	1,132,953
Amounts owed to group undertakings	**4,779,685**	2,506,827
Corporation tax	**1,100,706**	91,535
Social security and other taxes	**749,110**	797,330
Accruals	**624,298**	123,649
Deferred income	**630,441**	537,926
Lease liability	**16,544**	-
	8,518,434	5,190,220

Amounts owed to group undertakings are repayable on demand and do not attract interest.

Notes *(continued)*

11 Deferred tax, assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	31 December 2019	31 December 2018	**31 December 2019**	31 December 2018	**31 December 2019**	31 December 2018
	£	£	**£**	£	**£**	£
Accelerated capital allowances	**3,385**	4,128	-	-	**3,385**	4,128
Other short term timing differences	-	-	-	-	-	-
Tax assets / liabilities	**3,385**	4,128	-	-	**3,385**	4,128

12 Called up share capital

Allotted, issued and fully paid: Number	Class:	Nominal value:	31 December 2019 £	31 December 2018 £
50,000	Ordinary	£1	**50,000**	50,000

There is a single class of Ordinary share. There are no restrictions on the distribution of dividends or the repayment of capital.

13 Contingencies

The company has provided a guarantee against the bank loans of The SimplyBiz Group plc, the ultimate parent company. The total amount outstanding at 31 December 2019 amounted to £38,000,000 *(2018: £7,500,000)*.

14 Related party disclosures

The company has taken advantage of the exemption within FRS 101 and therefore not disclosed details of transactions with fellow companies within the group headed by The SimplyBiz Group plc.

15 Ultimate parent company and controlling party

The immediate parent undertaking is Simply Biz Limited.

The ultimate parent undertaking is The SimplyBiz Group plc, which is the only set of consolidated financial statements which include the results of the company. These accounts can be obtained from the company's registered office.

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