Company Registration No. 06095563

SIMPLIFY DIGITAL LIMITED

Annual Report and Financial Statements

For the year ended 28 April 2018

SIMPLIFY DIGITAL LIMITED
REPORT AND FINANCIAL STATEMENT 2018

CONTENTS

SIMPLIFY DIGITAL LIMITED
OFFICERS AND PROFESSIONAL ADVISORS

DIRECTORS

The Directors who served throughout the period and subsequently (except as noted) are shown below.

	Date of appointment	Date of resignation
M K Roy		17 November 2017
P M Davis		12 July 2018
J J Fennell	29 November 2017	29 December 2018
R D Martin	12 July 2018	
J P Mason	29 December 2018	

COMPANY SECRETARY

C Springett

REGISTERED OFFICE

1 Portal Way
London
W3 6RS
United Kingdom

AUDITOR

Deloitte LLP
Statutory Auditor
London
United Kingdom

BANKING

HSBC
8 Canada Square
London
E14 5HQ

SIMPLIFY DIGITAL LIMITED
STRATEGIC REPORT

The Directors present their annual report and audited financial statements for the year ended 28 April 2018. The Directors, in preparing this Strategic Report, have complied with section 414C of the Companies Act 2006.

PRINCIPAL ACTIVITY AND FUTURE DEVELOPMENTS

The principal activity of Simplify Digital Limited (the 'Company') in the year under review was retailing the digital TV, broadband and home phone packages of the major suppliers in the UK. In return for connecting customers to the various suppliers, the Company receives varying levels of commission. The service is delivered by experts based in England, via freephone numbers, and online at www.simplifydigital.co.uk.

The independent service offered by the Company remains uniquely differentiated in the market. It is based around a free, and Ofcom accredited, impartial consultation for anyone considering a broadband, digital TV or home phone service. The Company offers the widest range of digital service providers available and provides customers with the reassurance that a Simplify Digital Limited expert will be on hand up to the point of installation of the services in their homes.

The Company also provides retail capabilities to other companies within the Group, including Carphone Warehouse and Currys PC World. To power the Company's own retail services, the Company focuses on the research and development of its own portfolio of platforms, frameworks, engines and applications.

As with other Dixons Carphone plc group companies the accounts are made up to 28 April, the final Saturday in the accounting period.

In the next 12 months it is the intention of the directors to sell the trade and assets of the Company to a fellow group company, The Carphone Warehouse Limited, at their net book value. Following the sale of the trade and assets the Company is not expected to trade in the foreseeable future and is expected to become dormant.

BUSINESS REVIEW

As a result of changes to the reallocation of inter-company commissions and changes in market demand for the Company's partnership services, revenues declined from £40.8m (annualised) to £36.0m, with profit before tax decreasing from £4.3m (annualised) to a loss of £6.7m. The decrease in profitability was largely driven by the revised trading terms to sales made via the Carphone Warehouse and Currys PC World channels.

Additionally, in the year the Company's intangible development costs were fully impaired following a review of the long-term profitability of the associated projects, This led to an exceptional impairment charge of £3.9m, and led to a loss before tax of £10.6m (2017: annualised profit of £4.3m).

Due to the alignment of the Company's financial reporting with the wider group, the prior year financial statements covered a 15 month period compared with a 12 month period in the current statements. This means the amounts presented in the financial statements are not entirely comparable.

PERFORMANCE INDICATORS

What we measure	Why we measure	Our performance* 2018 £'000	2017 £'000
Revenue	The ability to grow revenue is an important measure of a brand's appeal to customers and its competitive position.	35,978	40,808
Year on Year Revenue Growth	The ability to grow revenue is an important measure of a brand's appeal to customers and its competitive position.	**(12%)**	52%
EBIT	Continued growth of headline EBIT enables the Company to invest in its future and provide a return for shareholders.	**(6,807)**	4,151
Profit/(Loss) before tax and exceptional items	Continued growth of Headline profit before tax represents a measure of Company performance to external investors and stakeholders against our strategic priorities.	**(6,745)**	4,253
Return on Capital Employed (ROCE)	ROCE is a key measure of the efficiency of the capital invested by the Company and the long-term value created for our stakeholders.	**(80%)**	34%

*Figures used for 2017 have been annualised from 15 months to enable a more appropriate comparison.

Revenue decreased by £4.8m (12%) year on year largely due to changes in market demand for our partnership services. The change from EBIT and profit before tax on ordinary activities of £4.2m and £4.3m to a loss before interest and tax of £6.8m and loss before tax of £6.7m respectively was driven by changes in the allocation of intercompany company commission.

Refer to the alternative performance measures in note 17 for the relevance of the above balances and how they are calculated.

PRINCIPAL RISKS TO ACHIEVING THE COMPANY'S OBJECTIVES

The Company recognises that taking risks is an inherent part of doing business and that competitive advantage can be gained through effectively managing risk. The Company continues to develop robust risk management processes, integrating risk management into business decision making.

The principal risks and uncertainties, together with their potential impacts and changes in net risk since the last report, are set out in the tables below along with an illustration of what is being done to mitigate them. These risks are aggregated by category and are consistent with the principal risks of Dixons Carphone plc, the Company's ultimate parent, and can be found on pages 15 to 18 of its Annual Report and Accounts 2017/18.

Risks and Potential Impacts

Dependence on key customers		**Risk Owner:** Director, Compare & Save channel	**Risk Category:** Strategic
What is the risk? The Company is dependent on a small number of key customers whose own business performance is important to the success of the Company.	**What is the impact?** • Reduced revenue and profitability • Deteriorating cash flow • Reduced market share	**How we manage it** Where possible the Company negotiates longer term agreements with key customers, which align interests and drive value for both parties.	**Changes since last report** New entrants to the broadband market have slightly reduced the risk, although majority of sales still driven by one customer.

Risks and Potential Impacts (continued)

Dependence on key suppliers		**Risk Owner:** Director, Compare & Save channel	**Risk Category:** Strategic
What is the risk? The Company is dependent on relationships with key suppliers to provide services which would be hard to replace in the short-term.	**What is the impact?** • Reduced revenue and profitability • Deteriorating cash flow • Reduced market share	**How we manage it** Where possible the Company has entered into longer-term contracts with key suppliers and marketing partners	**Changes since last report** This risk has remained stable over 2017/18.

Impact of Brexit		**Risk Owner:** Group Chief Executive	**Risk Category:** Strategic
What is the risk? Economic uncertainty and impact on consumer confidence caused by the decision of the UK to leave the European Union (Brexit)	**What is the impact?** • Reduced revenue and profitability • Deteriorating cash flow • Reduced market share	**How we manage it** • Strategic and business planning • Long-term credit facilities in place • Foreign exchange hedging to mitigate impact of currency fluctuation • Contingency planning to address wider regulatory and legislative changes	**Changes since last report** Given the potential for a transition period, the risk has decreased in its immediacy

Consumer environment and sustainable business model		**Risk Owner:** Group Chief Executive	**Risk Category:** Strategic
What is the risk? Failure to respond with a business model that enables the business to compete against a broad range of competitors on service, price and / or product range. Failure to respond effectively to changes in the industry, economic and / or competitor landscape. Failure to respond to changes in consumer preferences and behaviours	**What is the impact?** Reduced revenue and profitability • Deteriorating cash flow • Reduced market share	**How we manage it** • Focus on the core business and on fewer, bigger initiatives • Stabilise our performance in mobile through improvements to our proposition and network agreements • Investments in both our customer and colleague propositions • Continued focus on driving cost improvements through cost-efficiency initiatives and review of store estate • Differentiation from competitors through strategic partner relationships, innovative propositions, and high quality customer service	**Changes since last report** This risk has increased in 2017/18 given changes to customer behaviours in the mobile sector

Risks and Potential Impacts *(continued)*

Data Protection		Risk Owner:	Risk Category:
		Data Protection Officer	Regulatory
What is the risk?	**What is the impact?**	**How we manage it**	**Changes since last report**
Adequacy of internal systems, policy, procedures and processes to comply with the requirements of EU General Data Protection Regulation ('GDPR') which came into effect in May 2018. Major loss of customer, colleague, or business sensitive data	• Reputational damage • Financial penalties • Reduced revenue and profitability • Deteriorating cash flow • Loss of competitive advantage	• A comprehensive GDPR programme has been executed to put in place appropriate policy, procedures and processes to comply with requirements of GDPR • Control activities operate over management of customer and employee data in accordance with the Group's data protection policy and processes • Training programmes for colleagues on requirements for data protection • Investment in information security safeguards and IT security controls and monitoring	The risk has increased over 2017/18 with GDPR having come into effect and an increasing external threat environment

IT systems and infrastructure		Risk Owner:	Risk Category:
		Chief Information Security Officer	Operational
What is the risk?	**What is the impact?**	**How we manage it**	**Changes since last report**
• Failure to invest adequately and appropriately in IT systems and infrastructure, or an inability to effectively integrate IT assets across the Company constrains the Company's ability to grow and / or adapt quickly • A key system becomes unavailable for a period of time	• Reduced revenue and profitability • Deteriorating cash flow • Loss of competitive advantage • Restricted growth and adaptability • Reputational damage	• Significant investment being made in IT systems and infrastructure, supported by rigorous testing processes • Individual system recovery plans in place in the event of failure which are tested regularly, with full recovery infrastructure available for critical systems.	This risk has remained stable over 2017/18

SIMPLIFY DIGITAL LIMITED
STRATEGIC REPORT (CONTINUED)

Risks and Potential Impacts (continued)

Information security		**Risk Owner:** Chief Information Security Officer	**Risk Category:** Operational
What is the risk? Vulnerability to attack, malware, and associated cyber risks	**What is the impact?** • Reputational damage • Financial penalties • Reduced revenue and profitability • Deteriorating cash flow • Loss of competitive advantage	**How we manage it** • Investment in information security safeguards, IT security controls, monitoring, in-house expertise and resources as part of a managed information security improvement plan • Information Security and Data Protection Committee comprising senior management, set up with responsibility for oversight, co-ordination and monitoring of information security policy and risk • Information security policy and standards defined and communicated • Training and awareness programmes for employees • Audit programme over key suppliers' information security standards • Ongoing programme of penetration testing	**Changes since last report** Our overall information security risk position has increased in 2017/18 as a result of a background of an increasing external threat environment

Colleague retention and capability		**Risk Owner:** Group HR Director	**Risk Category:** People
What is the risk? Failure to attract, develop and retain quality and depth of necessary skills, leadership and management talent across all levels of the business.	**What is the impact?** • Reputational damage • Reduced revenue and profitability • Deteriorating cash flow • Loss of competitive advantage	**How we manage it** • On-going review to ensure appropriate and effective roles, responsibilities, and accountabilities • Defined and standardised performance management frameworks in place, with talent and succession plans maintained and reward aligned to attract and retain the best talent • Bonus plans which include components relating to both business and personal performance • Continued improvements in the quality of training courses and development programmes with specialist focus on core business areas	**Changes since last report** This risk has remained stable over 2017/18

Risks and Potential Impacts (continued)

Business continuity		**Risk Owner:** Group Chief Executive	**Risk Category:** Operational
What is the risk? A major incident impacts the Company's ability to trade and business continuity plans are not effective resulting in an inadequate incident response.	**What is the impact?** • Reduced revenue and profitability • Deteriorating cash flow • Reputational damage • Loss of competitive advantage	**How we manage it** • Business continuity and crisis management plans in place and tested for key business locations • Disaster recovery plans in place and tested for key IT systems and data centres • Crisis team appointed to manage response to significant events • Major risks insured	**Changes since last report** This risk has remained stable over 2017/18

Major fraud		**Risk Owner:** Group Chief Financial Officer	**Risk Category:** Financial
What is the risk? • Payment card fraud • Manipulation or misuse of electronic point of sale system and / or other payment systems • Customer false identity and other 'no intention to pay' frauds in taking out network contracts	**What is the impact?** • Reduced revenue and profitability • Reputational damage	**How we manage it** • Fraud prevention and detection controls • Real-time transaction monitoring • 24/7 fraud and loss prevention teams • Customer identity verification and credit checks for network contracts • Liaison with banks, card providers and MNOs to identify and mitigate opportunities for fraud • Reporting and oversight by the Audit Committee • Whistleblowing arrangements and procedures	**Changes since last report** This risk has remained stable over 2017/18

The Strategic Report is approved by the Board and authorised for issue and signed on behalf of the Board by:

R D Martin
Director
11 March 2019
Registered office:
1 Portal Way
London
W3 6RS
Registered number: 06095563

SIMPLIFY DIGITAL LIMITED
DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the year ended 28 April 2018. Detail in relation to the future developments of the Company are provided in the Strategic Report.

RESULTS AND DIVIDENDS

The loss for the year after taxation was £10.8 million (2017: £4.9 million profit). The Directors recommend that no dividend be paid (2017: £nil).

FUNDING

The Company is funded through intercompany borrowings. The Company, as part of Dixons Carphone plc, benefits from the Dixons Carphone Group's committed borrowing facilities. This includes a £250 million revolving credit facility expiring in October 2020 and a £800 million revolving credit facility expiring October 2022 and provides the appropriate level of committed financing for the Company's needs.

GOING CONCERN

As discussed in the Strategic report on page 2, in the next 12 months the directors intend to sell the trade and assets of the Company to a fellow group company, The Carphone Warehouse Limited, at their net book value. Following the sale of the trade and assets the Company is not expected to trade in the foreseeable future and is expected to become dormant. As a result, the financial statements have been prepared on a basis other than the going concern basis. No material adjustments arose as a result of ceasing to apply the going concern basis of preparation.

DIRECTORS

The Directors who served throughout the period and subsequently (except as noted) are shown on page 1.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

Pursuant to Article 26 of the Articles of Association, the directors, secretary and other officers of the Company are entitled to be indemnified by the Company out of its own funds against liabilities arising from the conduct of the Company's business to the extent permitted by law. Appropriate directors' and officers' liability insurance cover has been purchased which in general terms indemnifies individual directors' and officers' personal legal liability and costs for claims arising out of actions taken in connection with the Company's business.

CAPITAL STRUCTURE

The Company's only class of share is ordinary shares. All ordinary shares are held by the Company's parent company, Dixons Carphone Holdings Limited. Details of the issued share capital during the year are provided in note 12 to the Financial Statements.

USE OF FINANCIAL INSTRUMENTS

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments. Information on the use of financial instruments can be found in the annual report and financial statements for Dixons Carphone plc. The Company does not manage its financial instruments through hedging.

FINANCIAL RISK MANAGEMENT

Due to the nature of the Company's business and the assets and liabilities contained within the Company's balance sheet the main financial risks the Directors consider relevant to the Company are credit risk and liquidity risk.

Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty fails to meet its contractual obligations. The Company's principal financial assets are bank balances and trade and other receivables.

The Company's trade receivables are primarily balances due from TV, broadband and home phone providers, which are generally major multi-national enterprises with whom the Company has well-established relationships and are consequently not considered to add significantly to the Company's credit risk exposure.

Other receivables are primarily due from other Group companies and are not considered to be a risk.

The Company's bank balances and cash are centrally pooled with other subsidiaries of Dixons Carphone plc. The credit risk on these centrally pooled bank and cash balances is limited as the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Liquidity risk

Funding for all subsidiaries of Dixons Carphone plc, including the Company, is arranged centrally. In order to ensure that sufficient funds are available for ongoing operations and future developments, Dixons Carphone plc has multi-currency revolving credit facilities of £1,050million, £250million of which matures in October 2020 with the remaining £800million maturing in October 2021.

RESEARCH AND DEVELOPMENT

The Company capitalised £2.0 million of development costs for the year up to 28 April 2018 (2017: £1.6 million) in relation to the development of internal software.

EMPLOYEES

The Company places emphasis on its employees' involvement in the business at all levels. Managers are remunerated according to results wherever possible and all employees are kept informed of issues affecting the Company through formal and informal meetings and through the Company's intranet.

It is the Company's policy to assist the employment of disabled people, their training and career development, having regard to particular aptitudes and abilities. Every endeavour is made to find suitable alternative employment and to re-train any employee who becomes disabled while serving the Company.

ENVIRONMENT

A full analysis of the key regulatory and social risks of the industry in which Dixons Carphone plc Group operates is described in the Group's Annual Report, which does not form part of this Report. As a subsidiary entity, the Company operates in accordance with group policies.

SUBSEQUENT EVENTS

On 27 October 2018 the decision was made to cease trading of the energy business. The intangible assets related to the energy business were fully impaired during the review discussed in the Strategic report on page 2.

AUDITOR AND DISCLOSURE OF INFORMATION TO THE AUDITOR

Deloitte LLP has indicated their willingness to be appointed for another term and appropriate arrangements are being made for them to be deemed reappointed as auditor in the absence of an Annual General meeting. In accordance with the provisions of Section 418 of the Companies Act 2006, each of the directors at the date of approval of this report confirms that, to the best of their knowledge and belief, and having made appropriate enquiries of other officers of the Company:

- so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- they have 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.

Approved by the Board and authorised for issue and signed on behalf of the Board by:

R D Martin
Director
11 March 2019
Registered office:
1 Portal Way
London
W3 6RS
Registered number: 06095563

SIMPLIFY DIGITAL LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), 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 judgments and accounting estimates that are reasonable and prudent;
- follow applicable UK Accounting Standards, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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 also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the Board and authorised for issue and signed on behalf of the Board by:

R D Martin
Director
11 March 2019
Registered office:
1 Portal Way
London
W3 6RS
Registered number: 06095563

Independent auditor's report to the members of Simplify Digital Limited

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Simplify Digital Limited (the 'Company'):

- give a true and fair view of the state of the Company's affairs as at 28 April 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement
- the balance sheet;
- the statement of changes in equity;
- the related notes 1 to 16.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – Financial statements prepared other than on a going concern basis

We draw attention to note 1.2 in the financial statements, which indicates that the financial statements have been prepared on a basis other than that of a going concern. Our opinion is not modified in respect of this matter.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

SIMPLIFY DIGITAL LIMITED
INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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 respect of these matters.

Use of our report

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.

David Griffin FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

19 March 2019

SIMPLIFY DIGITAL LIMITED
INCOME STATEMENT
For the year ended 28 April 2018

	Note	Year ended 28 April 2018 £'000	15 month period ended 29 April 2017 £'000
Turnover	2	35,978	51,010
Cost of sales		(37,682)	(37,775)
Gross (loss)/profit		**(1,704)**	**13,235**
Marketing expenses		(1,505)	(2,288)
Technology and development expenses		(2,808)	(3,154)
Administrative expenses		(790)	(2,605)
(Loss) / Profit before interest, tax and exceptional items		**(6,807)**	**5,188**
Exceptional Items – non-current asset impairment	15	(3,899)	-
Finance income	4	62	127
(Loss) / Profit before tax		**(10,644)**	**5,315**
Tax	6	(175)	(443)
(Loss) / Profit for the year attributable to equity shareholders of the company		**(10,819)**	**4,872**

There was no other comprehensive income in the year ended 28 April 2018 and therefore no separate Statement of Comprehensive Income has been prepared. All activities derive from discontinuing operations.

SIMPLIFY DIGITAL LIMITED
BALANCE SHEET
As at 28 April 2018

	Note	28 April 2018 £'000	29 April 2017 £'000
Non-current assets			
Intangible assets	7	-	2,993
Property, plant and equipment	8	-	137
Deferred tax	6b	-	175
		-	3,305
Current assets			
Trade and other receivables	9	13,282	20,977
Cash and cash equivalents	10	5,619	1,829
		18,901	22,806
Total assets		**18,901**	**26,111**
Current liabilities			
Trade and other payables	11	(14,415)	(10,021)
Current tax liability	6a	-	(785)
		(14,415)	(10,806)
Net current assets		**4,486**	**12,000**
Total assets less current liabilities		4,486	15,305
Total liabilities		(14,415)	(10,806)
Net assets		**4,486**	**15,305**
Capital and reserves			
Share capital	12	2	2
Share premium account	13	4,171	4,171
Retained earnings	13	313	11,132
Total equity		**4,486**	**15,305**

These financial statements of Simplify Digital Limited (registered number 06095563) were approved and authorised for issue by the Board of directors on 11 March 2019 and signed on its behalf by:

R D Martin
Director

Registered number: 06095563

SIMPLIFY DIGITAL LIMITED
STATEMENT OF CHANGES IN EQUITY
For the year ended 28 April 2018

	Note	Share capital £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
At 31 January 2016		**2**	**3,625**	**6,975**	**10,602**
Profit and total comprehensive income		-	-	4,872	4,872
Share-based payments		-	-	244	244
Deferred tax charge	6b	-	-	(420)	(420)
Consideration for stock options		-	546	-	546
Capital repayment		-	-	(539)	(539)
At 29 April 2017		**2**	**4,171**	**11,132**	**15,305**
Loss and total comprehensive expense		-	-	(10,819)	(10,819)
At 28 April 2018		**2**	**4,171**	**313**	**4,486**

1. ACCOUNTING POLICIES

1.1 Basis of preparation and general information

The Company is a private limited company, by shares, incorporated under the Companies Act 2006 in the United Kingdom. The Company is domiciled in the United Kingdom and registered in England and Wales with its registered office at 1 Portal Way, London, W3 6RS.

The financial statements have been presented in UK Sterling, the functional currency of the Company, and on the historical cost basis except for the revaluation of certain financial instruments, as explained in the accounting policies notes below.

The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 (FRS 100) 'Application of Financial Reporting Requirements' issued by the Financial Reporting Council (FRC), and is exempt from the obligation to prepare and deliver group accounts.

Accordingly, the financial statements have been prepared in accordance with FRS 101 'Reduced Disclosure Framework' as issued by the FRC, incorporating the Amendments to FRS 101 issued by the FRC in July 2015 and the amendments to company law made by The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015, for which the mandatory effective date for adoption was for periods on or after 1 January 2016

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, impairment of assets, share based payments, and related party transactions.

Due to the alignment of the Company's financial reporting with the wider group, the prior year financial statements covered a 15 month period compared with a 12 month period in the current statements. This means the amounts presented in the financial statements are not entirely comparable.

1.2 Going concern

As discussed in the Strategic report on page 2 in the next 12 months the directors intend to sell the trade and assets of the Company to a fellow group company, The Carphone Warehouse Limited, at their net book value. Following the sale of the trade and assets the Company is not expected to trade in the foreseeable future and is expected to become dormant. As a result the financial statements have been prepared on a basis other than the going concern basis. No material adjustments arose as a result of ceasing to apply the going concern basis of preparation.

1.3 Revenue recognition

Revenue represents the amount receivable for the performance of the Company's services and is stated net of value added tax ("VAT").

The Company provides retail services to domestic customers, which generates revenue for the Company in the form of commissions when these customers are connected to digital TV, broadband and home phone services provided by the digital TV, broadband and home phone supplier. Due to the elapsed time between the digital TV, broadband and home phone connection, the act of which triggers the Company's revenue, and receipt of the confirmation from the digital TV, broadband and home phone supplier, the Company estimates the unbilled revenue receivable and records this as accrued revenues at the balance sheet date.

Revenues for the company's 'Software as a Service' propositions are recognised over the licence period on a straight-line basis.

1.4 Property, plant and equipment

Fixtures, fittings and equipment for a value of up to £1,000 are recognised as an expense in the period in which it is incurred.

Tangible fixed assets are stated at historical cost less depreciation and any provision for impairment.

Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets over their expected useful lives, as follows:

Fixtures, fittings and equipment	50% per annum
Short Leasehold land and buildings	in line with the length of the lease

1.5 Development costs – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from the Company's development is recognised only if all of the following conditions are met:

- an asset is created that can be identified;
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Internally-generated intangible assets are amortised on a straight-line basis over their useful lives. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense within technology and development costs in the period in which it is incurred.

The Company's price comparison technology and product database is amortised through cost of sales.

Developments costs are reviewed annually for impairment, or more frequently where there is an indication that such assets may be impaired. Impairment is assessed by measuring the future cash flows associated with the projects to which the development costs relate. Where the future discounted cashflows are less than the carrying value of the development costs an impairment charge is recognised in the income statement. If an impairment charge is identified it is immediately recognised and presented as an exceptional item in the income statement.

1.6 Taxation

The tax expense represents the sum of the currently payable and deferred tax. The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible. The liability for the current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences that can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from goodwill or from the initial recognition (other than in a business combination) of other asset and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

1.7 Financial instruments

i. Trade and other debtors

Trade and other debtors do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated recoverable amount.

ii. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

iii. Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company.

1.8 Adoption of new accounting standards and interpretations

There are no new accounting standards, amendments to standards or IFRIC interpretations which are effective for the Company for the first time during the current financial period which have had an impact on the Company's results or net assets.

1.9 Critical accounting judgements and key sources of estimation uncertainty

Preparation of the financial statements requires management to make significant judgements and estimates. The Directors have considered whether there are any such sources of estimation or critical accounting judgements in forming the financial statements and do not determine there to be any for the purposes of disclosure.

1.10 Interest income and expense

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

1.11 Exceptional items

Exceptional items are defined as items of income or expenditure which, in the opinion of the Directors, are material or unusual in nature or of such significance that they require separate disclosure on the face of the income statement. Should these items be reversed disclosure of this would also be as exceptional items.

In the current period only the impairment of development costs is capitalized as exceptional as disclosed in 1.5.

2. REVENUE

For the year ended 28 April 2018, the Company's revenues are derived from the provision of services to consumers which result in new customers for which the Company receives a commission. Revenues are also derived from the provision of the Company's Software as a Service and Data & Analytics propositions.

An analysis of the Company's revenue is as follows:

Revenue Type	2018 £'000	2017 £'000
Commission	35,864	50,133
Software as a Service	114	877
	35,978	51,010

All revenues are earned within the Company's domestic market, the United Kingdom.

3. EMPLOYEES AND DIRECTORS

Employment costs, including directors comprised:

	2018 £'000	2017 £'000
Wages and salaries	4,105	5,445
Social security costs	443	834
Pension costs	48	6
Share-based payment expense	-	244
	4,596	6,529

Monthly average number of employees during the year was as follows:

	2018 Number	2017 Number
Directors	2	2
Administration	6	7
Marketing and technology	66	63
Selling	58	55
	132	127

Remuneration of the directors was as follows:

	2018 £'000	2017 £'000
Emoluments	-	794

The directors do not receive any emoluments in respect of services to the Company (2017: £794k). Directors are not remunerated for qualifying services provided to the Company. All Directors' emoluments are borne by a fellow Group company and have not been recharged.

EMPLOYEES AND DIRECTORS (CONTINUED)

Remuneration of the highest paid director was as follows:

	2018 £'000	2017 £'000
Emoluments	-	433

4. FINANCE INCOME

	2018 £'000	2017 £'000
Bank interest	22	5
Interest from group loan	40	122
Finance income	62	127

5. (LOSS)/PROFIT BEFORE TAX

The (loss)/profit before tax is stated after charging:

	2018 £'000	2017 £'000
Staff costs	4,596	6,529
Hire of premises	283	321
Depreciation – owned assets	161	169
Development costs – amortised	1,104	1,180
Development costs – capitalised	(2,010)	(1,554)
Impairment of non-current assets	3,899	-
Auditor's remuneration – for the financial statements	45	45
Auditor's remuneration – non-audit services (acquisition consultancy fees)	-	166

6. TAX

(a) Income tax expense

	2018 £'000	2017 £'000
Current tax (i)	-	785
Total current tax charge	-	785
Deferred Tax		
Origination and reversal of timing differences	(188)	(342)
Adjustments in respect of prior periods	363	-
Total deferred tax (credit)/charge	175	(342)
Total tax charge	**175**	**443**

Finance (No.2) Act 2015, which was substantively enacted on 26 October 2015, has set the corporation tax rate at 19% from 1 April 2017 and 18% effective from 1 April 2020. Finance Bill 2016 has reduced the rate further from 1 April 2020 to 17%. Deferred tax balances have been recognised at the rate of 17%.

A reconciliation of notional to actual income tax expense is set out below:

	2018 £'000	2017 £'000
(Loss)/Profit before tax	(10,644)	5,315
(Loss)/Profit multiplied by the standard rate of corporation tax in the UK of 19.00% (2017: 19.92%)	(2,022)	1,059
Effects of:		
Group relief surrendered free of charge	1,809	-
Other items attracting no tax relief of liability	25	(666)
Adjustments to deferred tax in respect of tax rate change	-	50
Adjustments in respect of prior periods	363	-
Tax charge for the period	**175**	**443**

6. **TAX (continued)**

(b) Deferred Tax

	Share-based payments £'000	Other temporary differences £'000	Total £'000
At 31 January 2016	587	(334)	253
(Charge)/Credit to income	(167)	509	342
Charge to equity	(420)	-	(420)
At 29 April 2017	-	175	175
Charge to income	-	(175)	(175)
Charge to equity	-	-	-
At 28 April 2018	-	-	-

The Finance (No.2) Act 2015, which was substantively enacted on 26 October 2015, has set the corporation tax rate at 19% from 1 April 2017 and 18% effective from 1 April 2020. Finance Bill 2016 has reduced the rate further from 1 April 2020 to 17%, but this has not been substantively enacted at the balance sheet date. Deferred tax balances have been recognised at the rate of 18%.

7. INTANGIBLE ASSETS

	Software (internally generated) £'000
Cost	
At 30 April 2017	5,482
Additions	2,010
At 28 April 2018	**7,492**
Accumulated amortisation and impairment	
At 30 April 2017	2,489
Charge for the period	1,104
Impairment loss (note 15)	3,899
At 28 April 2018	**7,492**
Net book value at 28 April 2018	-
Net book value at 30 April 2017	2,993

All intangible assets are internally generated. Amortisation is charged so as to write off the cost over their estimated useful lives (three to five years), using the straight-line method. Development costs have been capitalised in accordance with IAS 38 Intangible Assets and are therefore not treated, for dividend purposes, as a realised loss.

Further detail of the impairment recorded in the year is in note 15.

8. PROPERTY, PLANT AND EQUIPMENT

	Short leasehold land and buildings £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost			
At 30 April 2017	156	220	376
Additions	-	24	24
At 28 April 2018	**156**	**244**	**400**
Accumulated depreciation			
At 30 April 2017	111	128	239
Charge for the year	45	116	161
At 28 April 2018	**156**	**244**	**400**
Net book value at 28 April 2018	-	-	-
Net book value at 30 April 2017	45	92	137

9. TRADE AND OTHER RECEIVABLES

	2018 £'000	2017 £'000
Current:		
Trade receivables	4,716	4,668
Amounts due from fellow group subsidiaries	3,214	11,903
Accrued income	4,988	4,093
Prepayments	305	313
VAT	59	-
	13,282	20,977

The majority of trade receivables are non-interest bearing. Trade receivables mainly comprise commission receivable on sales. No allowance for doubtful debts has been made as the Directors believe all trade receivables to be recoverable in full.

Amounts due from other group undertakings above includes amounts receivables from other group companies, which are repayable within 30-60 days, and on which no interest is payable.

Accrued income consists mainly of commissions receivable on sales made but not yet billed. An appropriate 'drop-out' rate is used to take into account sales which are do not 'go-live' and are not billed.

10. CASH AND CASH EQUIVALENTS

	2018 £'000	2017 £'000
Cash at bank	5,619	1,829

During the year surplus funds were loaned to Dixons Carphone plc, the ultimate controlling entity (see note 9, amounts due from other group undertakings).

11. TRADE AND OTHER PAYABLES

	2018 £'000	2017 £'000
Trade creditors	2,509	3,324
Amount due to fellow group subsidiaries	11,092	4,895
Accruals	780	1,303
Social security and other taxes	34	186
VAT	-	313
	14,415	10,021

The majority of trade creditors are non-interest bearing, with most payable within 30-60 days.

Amounts due to other group undertakings above includes amounts payable to other group companies, which are payable within 30 – 60 days, and on which no interest is payable.

12. SHARE CAPITAL

Share capital

	2018 £'000	2017 £'000
Authorised		
ordinary shares of £.001 each (2017: 2,600,000 ordinary shares of £0.01 each)	3	3
Allotted and fully paid		
ordinary shares of £.001 each (2017: 2,415,548 ordinary shares of £0.01 each)	2	2

No further share options were issued during the year. All shares carry equal voting rights.

13. RESERVES

	Retained earnings £'000	Share premium account £'000	Totals £'000
At 30 April 2017	11,132	4,171	15,303
Loss for the period	(10,819)	-	(10,819)
	313	**4,171**	**4,484**

14. ULTIMATE CONTROLLING ENTITY

The Company's immediate parent and controlling entity is Dixons Carphone Holdings Limited, a company incorporated in the United Kingdom.

The Company's ultimate parent and controlling entity is Dixons Carphone plc, a company incorporated in the United Kingdom and which is registered in England and Wales. Dixons Carphone plc is the largest and smallest group which includes the Company and for which consolidated financial statements are prepared. Copies of its financial statements may be obtained from its registered office at 1 Portal Way, London W3 6RS.

15. IMPAIRMENT

Following an impairment review of the capitalised development costs at the balance sheet date the intangible balance is determined to be fully impaired and, as at 29 April 2018, have a net book value of zero. This led to an impairment charge in the period of £3,899k (2017: £nil). This is determined based on the forecast future profitability of the associated projects which is determined to be less than the historical net book value of the capitalized development costs.

16. SUBSEQUENT EVENTS

On 27 October 2018 the decision was made to cease trading of the energy business. The intangible assets related to the energy business were fully impaired during the review discussed in the Strategic report on page 2.

In the next 12 months it is the intention of the directors to sell the trade and assets of the Company to a fellow group company, The Carphone Warehouse Limited, at their net book value. Following the sale of the trade and assets the Company is not expected to trade in the foreseeable future and is expected to become dormant.

17. ALTERNATIVE PERFORMANCE MEASURES ('APMs') (Unaudited)

In the reporting of financial information, the Company uses certain measures that are not required under FRS101. We consider that these additional measures (commonly referred to as 'alternate performance measures') provide additional information on the performance of the business and trends to shareholders. These measures are consistent with those used internally, and are considered critical to understanding the financial performance and financial health of the Company. APMs are also used to enhance the comparability of information between reporting periods, by adjusting for non-recurring or items considered to be distortive on trading performance which may affect FRS101 measures, to aid the user in understanding the Company's performance. These alternative performance measures may not be directly comparable with other similarly titled measures or 'adjusted' revenue or profit measures used by other companies, and are not intended to be a substitute for, or superior to, FRS101 measures.

Alternative performance measure	Closest equivalent GAAP measure	Reconciliation to FRS101 measure	Definition and purpose
Profit measures			
EBIT	Profit / (loss) before tax	Profit / (loss) before tax less exceptional items	Earnings before interest and tax (EBIT) is comparable to profit / (loss) before tax and exceptional items which are defined on the face of the income statement.
Other measures			
Return on Capital Employed (ROCE)	No direct equivalent	Not applicable	Calculated on a pre-tax and lease adjusted basis. The return is based on EBIT on ordinary activities, adjusted to add back the interest component associated with capitalising operating lease costs. Capital employed is based on net assets including capitalised leases, but excluding goodwill, cash, tax and the defined benefit pension obligations. The calculation is performed on a moving annual total in order to best match the return on assets in a year with the assets in use during the year to generate the return. We consider this a useful measure to understand how the Company has used the capital employed during the period.