

Registration number: 05949018

# Make it Cheaper Limited

Annual Report and Financial Statements

for the Year Ended 31 March 2019

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## **Make it Cheaper Limited**

### **Contents**

Company Information	1
Strategic Report	2 to 4
<i>Directors' Report</i>	5 to 6
Statement of Directors' Responsibilities	7
Independent Auditor's Report	8 to 10
Profit and Loss Account	11
<i>Statement of Comprehensive Income</i>	12
Balance Sheet	13
Statement of Changes in Equity	14
Notes to the Financial Statements	15 to 32

## **Make it Cheaper Limited**

### **Company Information**

<b>Directors</b>	Thomas Crockford Jonathan Elliott Paul Galligan
<b>Registered office</b>	Minster Building 21 Mincing Lane 4th Floor London EC3R 7AG
<b>Bankers</b>	Lloyds Bank Plc 25 Gresham Street London EC2V 7HN
<b>Auditors</b>	Ernst & Young LLP 1 More London Place London SE1 2AF

## **Make it Cheaper Limited**

### **Strategic Report for the Year Ended 31 March 2019**

The directors present their strategic report for the year ended 31 March 2019.

#### **Principal activity and review of the business**

The principal activity of the company is to make it easy for small and medium-sized enterprises ("SMEs") to save money on utilities and telecommunications.

Make it Cheaper Limited provides comparison, switching and intermediary services for over 73,000 (2018 - 52,000) SMEs in the UK. The company receives a commission from a vetted panel of suppliers for introducing customers to their services. Our purpose is "Earning the lifetime loyalty of British Businesses" and we achieve this by being trusted to make switching and saving easy.

A summary of the results for the period and the financial position are set out in the financial statements on pages 11 and 13.

The Directors plan to maintain the company position as a leading provider of comparison, switching and intermediary services in the UK. They will look to do this through the application of our industry leading contact centre team to a wider range of services. The company has invested heavily in a hybrid digital-voice journey and this means the Directors believe the company is well positioned to continue to grow the business in 2019.

#### **Key performance indicators**

The company measures and monitors, on a weekly and monthly basis, a broad range of key performance indicators to ensure continuous improvement and progress towards achieving its strategic objectives. The Directors are of the opinion that the following constitute the company's key performance indicators:

- Revenue
- EBITDA
- Annual customer retention rate

Revenue continued to grow in the year, with organic growth rates of 28% YoY. Statutory revenue grew from £19.7m to £25.2m.

EBITDA was £6.1m (2018 - £4.1m) for the period showing continued growth from the trading.

Annual customer retention rates (measured as number of customers 12 months prior that are still our customers today) remained high at 83.5% (2018: 82.5%) showing the success of our Do It For You service and the level of customer serviced delivered.

## **Make it Cheaper Limited**

### **Strategic Report for the Year Ended 31 March 2019**

Highlights of the period included:

- Strong revenue growth
- Investment in processes and systems to underpin future growth
- Investment in capability to deliver the company's strategy through the recruitment of a new Chief Executive Officer as well as new additions to strengthen and widen the management team in areas such as the digital proposition and marketing
- Achieving 78th in the Sunday Times Top 100 Best Companies to work for 2019
- Consistently achieving a Customer Net Promoter Score ("NPS") of more than +65

#### **Principal risks and uncertainties**

The principal risks and uncertainties faced by the company are outlined below including an explanation on how these risks are managed and mitigation strategies implemented:

##### ***Threat and risk of cyber security attack could adversely impact business operations and customer trust***

The company faces the ongoing threat of being subject to a cyber security attack that could result in the loss or disclosure of customer data. Any breach could adversely impact business operations and/or result in major data loss, which would have a negative impact on reputation, reduce customer trust and incur penalties.

As the diversity, sophistication and complexity of cyber-attacks continues to increase, the company continues to invest in technology, staff training and awareness to prevent attacks and reduce their impact.

##### ***Resilience and reliance on legacy IT systems***

The company is reliant on a bespoke legacy CRM platform that supports sales and customer services operations. This system has limited further scalability and takes time and investment to adapt to changing customer behaviours.

In 2017, a major programme of work was established to replace the existing CRM and Contact Centre platform with an enterprise level platform. This includes a review of the current processes, the customer journey and required data structure. Significant capital spend in FY18-19 to fund the implementation of this programme has been undertaken, estimated launch date for the new platform is December 2019.

##### ***Uncertainty relating to the estimation of revenue by contract and accrued revenue recoverability***

Revenue recognised is underpinned by a number of key assumptions, including the expected future consumption of customers, and is therefore inherently uncertain as further discussed within the revenue recognition accounting policy note. Uncertainty is greatest for new connections.

The company has established a number of mitigating processes and controls to review and improve accuracy of the values recognised, they include:

- Data cleanse process to confirm current consumption values with suppliers at the point of renewal;
- Dedicated Quality Assurance team who review sale documentation and values captured;
- Reporting and monitoring of the key assumptions used in revenue recognition;
- Finance revenue meetings to review variances and track actual receipts to expected commissions;
- and
- Dedicated Compliance Team reviewing sales and reviewing entity processes and controls.

## **Make it Cheaper Limited**

### **Strategic Report for the Year Ended 31 March 2019**

#### ***Increased market competition***

New and existing competition who are better at meeting and delivering customer needs could reduce market share and growth opportunities. Maintenance and growth of customer acquisition coupled with servicing the needs of and retaining renewal customers is fundamental to protecting and growing market share.

- The company continues to invest in sources of lead acquisition including launching a referrals scheme and acquiring new partners and building on current partner relationships.
- Innovative product offerings such as the Do it for You renewals service and new routes to market.
- Monitoring and benchmarking against competitor service offerings and pricing to ensure a market leading proposition.

#### ***Regulatory compliance***

The company is regulated by a number of regulatory bodies. We employ experienced and dedicated compliance personnel who monitor compliance. Senior management encourage a culture of trust with our customers and ensure sufficient focus is placed on these compliance activities.

#### ***Loss of key management and/or the inability to recruit and retain employees***

The inability to identify and recruit skilled employees and ensure a continuous pipeline of new talent could negatively impact the performance, growth potential and quality of service provided to customers.

This is mitigated by:

- Experienced and established Senior Leadership Team;
- Investment in recruitment;
- Engagement scores reviewed to respond to employee feedback; and
- Staff benefits programme and high flyers initiatives.


In FY18-19 we entered the Times Best Company awards and placed 78th in the Best 100 Mid Size Companies to work for 2019. Plans and initiatives are underway to continually improve staff engagement.

#### ***Strategic risks***

The general economic environment and political uncertainty have the potential to impact the markets in which we operate. Reputational risk from customer claims, competitors, partners, suppliers and regulators could reduce our market share.

Monitoring and regular horizon scanning of the regulatory landscape ensure we are prepared for changes in the market.

Approved by the Board on 12 September 2019 and signed on its behalf by:



.....  
Paul Galligan  
Director

## **Make it Cheaper Limited**

### **Directors' Report for the Year Ended 31 March 2019**

The directors present their report and the financial statements for the year ended 31 March 2019.

#### **Results and dividends**

The company reported a profit for the year after taxation of £3,965,000 (2018 - £5,065,985).

Dividends declared in the year were £Nil (2018 - £1,417,765).

#### **Directors of the company**

The directors who held office during the year were as follows:

Thomas Crockford

Jonathan Elliott

Paul Galligan (appointed 22 March 2019)

#### **Financial instruments**

The company has established a risk and financial management framework whose primary objectives are to protect the company from events that hinder the achievement of the company's performance objectives. The objectives aim to limit undue counterparty exposure, ensure sufficient working capital exists and monitor the management of risk at a business unit level.

#### **Employment of disabled persons**

In considering applications for employment from disabled people, the company seeks to ensure that full and fair consideration is given to the abilities and aptitudes of the applicant against the requirements of the jobs which they have applied. Employees who become temporarily or permanently disabled are given individual consideration and where possible, equal opportunities for training, career development and promotions.

#### **Employee involvement**

The company's policy is to consult and discuss with employees matters likely to affect employees' interest. Information about matters of concern to employees is given through regular staff events, such as monthly launches, saving zone launches three times a year, and regular updates on team and company performance.

#### **Future developments**

The company is set for significant further growth over the coming year based on an increased take-up of recently launched products and services and its strong renewals pipeline, with a majority of customers trusting Make It Cheaper to achieve continuous savings for them.

#### **Going concern**

The financial position of the company is shown on the balance sheet on page 13. The directors have a reasonable expectation that the company has access to adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

#### **Important non adjusting events after the financial period**

On 10 May 2019, the Group acquired the entire share capital of Castlegate 715 Limited which operates business comparison services.

## **Make it Cheaper Limited**

### **Directors' Report for the Year Ended 31 March 2019**

#### **Disclosure of information to the auditors**

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

#### **Reappointment of auditor**

The auditors Ernst & Young LLP are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Approved by the Board on 12 September 2019 and signed on its behalf by:

  
.....  
Paul Galligan  
Director



## **Make it Cheaper Limited**

### **Statement of Directors' Responsibilities**

The directors acknowledge their responsibilities for preparing the Annual 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 including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and applicable law). 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 apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, 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.

## **Make it Cheaper Limited**

### **Independent Auditor's Report to the Members of Make it Cheaper Limited**

#### **Opinion**

We have audited the financial statements of Make it Cheaper Limited (the 'company') for the year ended 31 March 2019, which comprise the Profit and Loss Account, Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 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 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.

#### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

#### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

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.

## **Make it Cheaper Limited**

### **Independent Auditor's Report to the Members of Make it Cheaper Limited**

We have nothing to report in this regard.

#### **Opinion on other matter 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with applicable legal requirements.

#### **Matters on which we are required to report by exception**

*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 material misstatements in the Directors' Report.*

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us 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.

#### **Responsibilities of directors**

As explained more fully in the Statement of Directors' Responsibilities set out on page 7, 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 Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

## **Make it Cheaper Limited**

### **Independent Auditor's Report to the Members of Make it Cheaper Limited**

#### **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.

Ernst & Young LLP

.....  
Andy Williams (Senior Statutory Auditor)  
For and on behalf of Ernst & Young LLP, Statutory Auditor  
London

Date: 13<sup>th</sup> September 2019

## Make it Cheaper Limited

### Profit and Loss Account for the Year Ended 31 March 2019

	Note	2019 £ 000	2018 £ 000
Revenue	4	25,230	19,668
Cost of sales		<u>(10,296)</u>	<u>(8,410)</u>
Gross profit		14,934	11,258
Administrative expenses		<u>(10,078)</u>	<u>(7,713)</u>
Operating profit	5	4,856	3,545
Interest payable and similar expenses	10	<u>-</u>	<u>(37)</u>
Profit before tax		4,856	3,508
Taxation	11	<u>(891)</u>	<u>1,558</u>
Profit for the financial year		<u><u>3,965</u></u>	<u><u>5,066</u></u>

The notes on pages 15 to 32 form an integral part of these financial statements.

**Make it Cheaper Limited**

**Statement of Comprehensive Income for the Year Ended 31 March 2019**

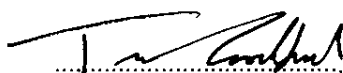
	2019 £ 000	2018 £ 000
Profit for the year	<u>3,965</u>	<u>5,066</u>
Total comprehensive income for the year	<u><u>3,965</u></u>	<u><u>5,066</u></u>

The notes on pages 15 to 32 form an integral part of these financial statements.

**Make it Cheaper Limited**  
**(Registration number: 05949018)**  
**Balance Sheet as at 31 March 2019**

	Note	2019 £ 000	2018 £ 000
<b>Fixed assets</b>			
Intangible assets	12	4,004	1,724
Tangible assets	13	943	164
Investments	14	984	984
		<u>5,931</u>	<u>2,872</u>
<b>Current assets</b>			
Debtors: amounts falling due after one year	15	1,196	2,335
Debtors: amounts falling due within one year	15	12,054	9,502
Cash at bank and in hand	16	2,074	2,795
		<u>15,324</u>	<u>14,632</u>
<b>Creditors: Amounts falling due within one year</b>	17	<u>(10,095)</u>	<u>(10,499)</u>
<b>Net current assets</b>		<u>5,229</u>	<u>4,133</u>
<b>Total assets less current liabilities</b>		11,160	7,005
<b>Provisions for liabilities</b>	18	<u>(48)</u>	<u>-</u>
<b>Net assets</b>		<u>11,112</u>	<u>7,005</u>
<b>Capital and reserves</b>			
Called up share capital	21	-	-
Other reserves	22	837	695
Profit and loss account	22	10,275	6,310
<b>Total equity</b>		<u>11,112</u>	<u>7,005</u>

Approved and authorised by the Board on 12 September 2019 and signed on its behalf by:



Thomas Crockford  
Director

The notes on pages 15 to 32 form an integral part of these financial statements.

# **Make it Cheaper Limited**

## **Statement of Changes in Equity for the Year Ended 31 March 2019**

	<b>Other reserves £ 000</b>	<b>Profit and loss account £ 000</b>	<b>Total £ 000</b>
At 1 April 2018	695	6,310	7,005
Profit for the year	-	3,965	3,965
Movement on other reserves	142	-	142
At 31 March 2019	<u>837</u>	<u>10,275</u>	<u>11,112</u>

	<b>Other reserves £ 000</b>	<b>Profit and loss account £ 000</b>	<b>Total £ 000</b>
At 1 April 2017	405	2,661	3,066
Profit for the year	-	5,066	5,066
Dividends	-	(1,417)	(1,417)
Movement on other reserves	290	-	290
At 31 March 2018	<u>695</u>	<u>6,310</u>	<u>7,005</u>

The notes on pages 15 to 32 form an integral part of these financial statements.



## **Make it Cheaper Limited**

### **Notes to the Financial Statements for the Year Ended 31 March 2019**

#### **1 General information**

The company is a private company limited by share capital, incorporated in England and Wales.

The address of its registered office is:

Minster Building  
21 Mincing Lane  
4th Floor  
London  
EC3R 7AG

#### **2 Accounting policies**

##### **Summary of significant accounting policies and key accounting estimates**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

##### **Statement of compliance**

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

##### **Basis of preparation**

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

##### **Going concern**

The company manages its day-to-day working capital requirements through its banking facilities. The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company should be able to operate within the level of its current facilities.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

##### **Exemptions for qualifying entities under FRS102**

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

The information is included in the consolidated financial statements of Smile Topco Limited as at 31 March 2019 and these financial statements may be obtained from the registered office.

## **Make it Cheaper Limited**

### **Notes to the Financial Statements for the Year Ended 31 March 2019**

#### **2 Accounting policies (continued)**

##### **Exemption from preparing group accounts**

The financial statements contain information about Make it Cheaper Limited as an individual company and do not contain consolidated financial information as the parent of a group.

The company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent, Make it Cheaper Group Limited, a company incorporated in England and Wales.

##### **Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

- the significant risks and rewards of ownership have been transferred to the buyer;
- the company retains no continuing involvement or control over the goods;
- the amount of revenue can be measured reliably;
- it is probable that future economic benefits will flow to the entity; and
- when the specific criteria relating to each of the company's sales channels have been met, as described below.

##### *Customer energy contracts*

Turnover represents commissions earned and is recognised at the point at which a customer applies for a new contract. Commissions are calculated based on expected energy use by the business customer at agreed commission rates with the energy suppliers. At point of sales, provision is made for:

- Possible variations between expected consumption and that used by suppliers for commission payment purposes where these differ; and
- Contracts that may fail to commence with suppliers or fail during the contract period.

##### *Other customer contracts*

Commissions in relation to Telco contracts are recognised at the point at which a cash is received from suppliers.

Commissions relating to insurance contracts are recognised at the point at which a customer signs a new policy or renews a policy.

## **Make it Cheaper Limited**

### **Notes to the Financial Statements for the Year Ended 31 March 2019**

#### **2 Accounting policies (continued)**

##### **Intangible assets and amortisation**

All intangible assets are initially recognised at cost and considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

Amortisation is calculated, using the straight-line method, to allocate the depreciable amount of the assets to their residual values over their estimated useful lives, as follows:

Software development - 4 years

Trademarks - 4 years

Costs associated with maintaining computer software are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the company are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- *adequate technical, financial and other resources to complete the development and to use or sell the software* are available; and
- the expenditure attributable to the software during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

##### **Tangible assets and depreciation**

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs.

Depreciation is charged at the following rates on a straight line basis to write off the cost over their estimated useful lives:

Short-term leasehold property - over life of lease

Fixtures and fittings - 25% straight line

Office equipment - 25% straight line

The assets' residual values and useful lives are reviewed, and adjusted as appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

##### **Investments in subsidiaries**

Investments held as fixed assets are stated at cost less accumulated impairment losses.

The carrying value of fixed asset investments is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

## **Make it Cheaper Limited**

### **Notes to the Financial Statements for the Year Ended 31 March 2019**

#### **2 Accounting policies (continued)**

##### **Short-term debtors and creditors**

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the statement of comprehensive income in other operating expenses.

##### **Cash and cash equivalents**

Cash and cash equivalents in the statement of financial position comprise cash at banks and in hand and short term deposits with an original maturity date of three months or less.

Bank overdrafts, where applicable, are shown within borrowing in current liabilities.

##### **Financial instruments**

The company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

##### *i. Financial assets*

Basic financial assets, including trade and other receivables, cash and bank balances and investments in commercial paper, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

## **Make it Cheaper Limited**

### **Notes to the Financial Statements for the Year Ended 31 March 2019**

#### **2 Accounting policies (continued)**

##### *ii. Financial liabilities*

Basic financial liabilities, including trade and other payables, bank loans and loans from fellow Group companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless they are included in a hedging arrangement.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

##### *iii. Offsetting*

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

##### **Finance costs**

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

## **Make it Cheaper Limited**

### **Notes to the Financial Statements for the Year Ended 31 March 2019**

#### **2 Accounting policies (continued)**

##### **Share based payments**

The company provides share-based payment arrangements to certain employees.

Equity-settled arrangements are measured at fair value (excluding the effect on non-market based vesting conditions) at the date of the grant. The fair value is expensed on a straight-line basis over the vesting period. The amount recognised as an expense is adjusted to reflect the actual number of shares or options that will vest.

Where equity-settled arrangements are modified, and are of benefit to the employee, the incremental fair value is recognised over the period from the date of modification to date of vesting. Where a modification is not beneficial to the employee there is no change to the charge for share-based payment. Settlements and cancellations are treated as an acceleration of vesting and the unvested amount is recognised immediately in the profit and loss account.

##### **Foreign currency transactions and balances**

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into sterling at the rates of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

##### **Pension scheme**

The company operates a defined contribution pension scheme and costs are expensed as incurred.

##### **Interest income**

Interest income is recognised in the statement of comprehensive income using the effective interest method.

##### **Borrowing costs**

All borrowing costs are recognised in the statement of comprehensive income in the year in which they are incurred.

##### **Provisions**

Provisions are recognised when the company has an obligation at the reporting date as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

##### **Deferred tax**

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates that are expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

A reduction in the UK corporation tax rate from 19% to 17%, effective from 1 April 2020 was substantively enacted in 2015. Deferred tax as at the balance sheet date is calculated at the substantively enacted rates at which the temporary differences are expected to reverse.

## **Make it Cheaper Limited**

### **Notes to the Financial Statements for the Year Ended 31 March 2019**

#### **2 Accounting policies (continued)**

##### **Operating leases**

Rentals payable relating to operating leases are charged in profit and loss account on a straight line basis over the lease term. Lease incentives are recognised as a reduction to the expense on straight line basis over the lease term.

##### **Dividends**

Dividend distribution to the company's shareholders is recognised as a liability in the financial statements in the reporting period in which the dividends are declared.

#### **3 Critical accounting judgements and estimation uncertainty**

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

##### **Key accounting estimates and assumptions**

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

##### **Revenue recognition (note 15)**

###### *a. Energy Live Rate*

At point of sale agreement with a customer there is a chance that a meter that has been agreed to move to a new contract will not ultimately transfer. This is addressed by applying a Live Rate provision to revenue at the point of sale based on historical rates by type of business.

###### *b. Energy Consumption Provision Rate*

The company invests significant time ensuring that the customer energy consumption data that is passed to suppliers, and is the basis of commission received, is accurate and measurable. However, across the course of an energy contract there remains potential for consumption to vary through e.g. change of business practices, energy efficiency initiatives or even change of tenancy leading to the end of a contract. To address these changes a consumption provision is applied to expected revenue at the point of sale based on historical levels of commission received by business type and by supplier.

##### **Impairment of intangible assets (note 12)**

Annually, the company considers whether intangible assets are impaired. Where an indication of impairment is identified the estimation of recoverable value requires estimation of the recoverable value of the cash generating units (CGUs). This requires forecasting of the future cash flows from the CGUs and also selection of appropriate discount rates in order to calculate the net present value of those cash flows.

## Make it Cheaper Limited

### Notes to the Financial Statements for the Year Ended 31 March 2019

#### 4 Revenue

The analysis of the company's revenue for the year from continuing operations is as follows:

	2019 £ 000	2018 £ 000
Price comparison and switching services	<u>25,230</u>	<u>19,668</u>

All revenue arose within the United Kingdom.

#### 5 Operating profit

Arrived at after charging

	2019 £ 000	2018 £ 000
Depreciation expense	239	105
Amortisation expense	1,033	405
Operating lease expense	678	116
Loss on disposal of property, plant and equipment	22	-
Loss on disposal of intangible assets	<u>105</u>	<u>-</u>

#### 6 Auditors' remuneration

	2019 £ 000	2018 £ 000
Audit of the financial statements	<u>42</u>	<u>30</u>
<b>Other fees to auditors</b>		
Tax compliance	16	7
Tax advisory	20	114
Corporate finance services	<u>-</u>	<u>211</u>
	<u>36</u>	<u>332</u>



## Make it Cheaper Limited

### Notes to the Financial Statements for the Year Ended 31 March 2019

#### 7 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	<b>2019</b>	<b>2018</b>
	<b>£ 000</b>	<b>£ 000</b>
Wages and salaries	10,110	8,513
Social security costs	1,042	896
Pension costs, defined contribution scheme	143	87
Share-based payment expenses	142	-
	<u>11,437</u>	<u>9,496</u>

Staff costs of £516,677, included above, have been capitalised in the year (2018 - £187,534).

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

	<b>2019</b>	<b>2018</b>
	<b>No.</b>	<b>No.</b>
Management	10	9
Sales	128	134
Finance and Business Information	13	9
Marketing	16	14
Human Resources	10	6
Operations	44	41
Information Technology	19	20
	<u>240</u>	<u>233</u>

#### 8 Directors' remuneration

The directors' remuneration for the year was as follows:

	<b>2019</b>	<b>2018</b>
	<b>£ 000</b>	<b>£ 000</b>
Remuneration	<u>582</u>	<u>183</u>

Post employment benefits are accruing to two directors (2018 - one) under a defined contribution pension scheme. No directors were members of a defined benefit pension scheme (2018 - none).

One director received share options in the parent company's shares during the year (2018 - one). No directors exercised share options during the year (2018 - none).

## Make it Cheaper Limited

### Notes to the Financial Statements for the Year Ended 31 March 2019

#### 8 Directors' remuneration (continued)

In respect of the highest paid director:

	2019 £ 000	2018 £ 000
Remuneration	246	101
Company contributions to money purchase pension schemes	<u>8</u>	<u>-</u>

#### 9 Share-based payments

##### Smile Topco share option scheme

The Group operates an equity-settled share-based payment scheme for its directors and employees.

Certain employees participate in the share option scheme based on length of service and their role within the business. The options are granted with an exercise price equal to the nominal value of the shares. The options vest in accordance with a vesting schedule for each employee and once vested, are exercisable on any future sale of the Smile group. Vesting is subject to continued employment within the group and meeting individual performance targets. The shares over which the options are held, are held as treasury shares by the Employee Benefit Trust, Make it Cheaper Trustees Limited. Make it Cheaper Trustees Limited holds 7,251,568 shares (2018 - 7,251,568) acquired for the nominal value of £7,252.

The movements in the number of share options during the year were as follows:

	2019 Number	2018 Number
Outstanding, start of period	10,175,347	-
Granted during the period	12,851,069	10,175,347
Forfeited during the period	(2,320,697)	-
Exercised during the period	(440,557)	-
Cancelled during the period	<u>(10,175,347)</u>	<u>-</u>
Outstanding, end of period	<u>10,089,815</u>	<u>10,175,347</u>

All share options have an exercise price of 1p.

The total expense recognised in profit or loss for the year was £142,151 (2018 - £Nil). The share options have been valued using a Black-Scholes option pricing model.

##### Make it Cheaper share option scheme

The acquisition of the group during the prior year by Smile Bidco Limited resulted in all outstanding options being exercised.

The movements in the number of share options during the year were as follows:

## Make it Cheaper Limited

### Notes to the Financial Statements for the Year Ended 31 March 2019

#### 9 Share-based payments (continued)

	2019 Number	2018 Number
Outstanding start of period	-	137,517
Forfeited during the period	-	(19,378)
Exercised during the period	-	(118,139)
Outstanding end of period	<u>-</u>	<u>-</u>

The movements in the weighted average exercise price of share options during the year were as follows:

	2019 pence	2018 pence
Outstanding start of period	-	11.33
Forfeited during the period	-	21.34
Exercised during the period	-	9.69
Outstanding end of period	<u>-</u>	<u>-</u>

The charge in the profit and loss for the year was £Nil (2018 - £289,977).

#### 10 Interest payable and similar expenses

	2019 £ 000	2018 £ 000
Interest on bank overdrafts and borrowings	<u>-</u>	<u>37</u>

## Make it Cheaper Limited

### Notes to the Financial Statements for the Year Ended 31 March 2019

#### 11 Taxation

Tax charged/(credited) in the income statement

	2019 £ 000	2018 £ 000
<b>Current taxation</b>		
UK corporation tax	-	(507)
<b>Deferred taxation</b>		
Arising from origination and reversal of timing differences	931	(1,231)
Arising from changes in tax rates	-	16
Arising from adjustments in respect of prior periods	(40)	164
Total deferred taxation	891	(1,051)
Tax expense/(credit) in the income statement	891	(1,558)

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2018 - lower than the standard rate of corporation tax in the UK) of 19% (2018 - 19%).

The differences are reconciled below:

	2019 £ 000	2018 £ 000
Profit before tax	4,856	3,508
Corporation tax at standard rate	923	666
Effect of expense not deductible for tax purposes	59	57
Deferred tax relating to changes in tax rates	-	16
Deferred tax related to adjustments in respect of prior periods	(40)	164
Effect of employee share options	-	(2,399)
Effect of group relief	71	24
Effect of adjustment in research and development tax credit	(122)	(86)
Total tax charge/(credit)	891	(1,558)

## Make it Cheaper Limited

### Notes to the Financial Statements for the Year Ended 31 March 2019

#### 11 Taxation (continued)

##### Tax rate changes

Changes to the UK corporation tax rates were substantively enacted as part of the Finance Bill 2016 (on 6 September 2016). These include reductions to the main rate to reduce the rate from 19% to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

#### 12 Intangible assets

	Trademarks £ 000	Software £ 000	Total £ 000
<b>Cost or valuation</b>			
At 1 April 2018	5	2,507	2,512
Additions internally developed	-	3,161	3,161
Additions acquired separately	-	257	257
Disposals	-	(478)	(478)
At 31 March 2019	<u>5</u>	<u>5,447</u>	<u>5,452</u>
<b>Amortisation</b>			
At 1 April 2018	3	785	788
Amortisation charge	1	1,032	1,033
Amortisation eliminated on disposals	-	(373)	(373)
At 31 March 2019	<u>4</u>	<u>1,444</u>	<u>1,448</u>
<b>Carrying amount</b>			
At 31 March 2019	<u>1</u>	<u>4,003</u>	<u>4,004</u>
At 31 March 2018	<u>2</u>	<u>1,722</u>	<u>1,724</u>

Amortisation is included in Administrative Expenses.

The aggregate amount of research and development expenditure recognised as an expense during the period is £439,460 (2018 - £347,258).

##### Individually material intangible assets

###### CRM and online system

The carrying amount of this asset is £2,334,785 (2018 - £527,504) and the remaining amortisation period is 4 (2018 - 4). The CRM online system enables MIC to effectively deliver its services to its customers.

## Make it Cheaper Limited

### Notes to the Financial Statements for the Year Ended 31 March 2019

#### 13 Tangible assets

	Short leasehold land and buildings £ 000	Fixtures and fittings £ 000	Office equipment £ 000	Total £ 000
<b>Cost or valuation</b>				
At 1 April 2018	280	89	636	1,005
Additions	-	882	158	1,040
Disposals	(280)	(84)	(468)	(832)
At 31 March 2019	-	887	326	1,213
<b>Depreciation</b>				
At 1 April 2018	276	82	483	841
Charge for the year	4	160	75	239
Eliminated on disposal	(280)	(83)	(447)	(810)
At 31 March 2019	-	159	111	270
<b>Carrying amount</b>				
At 31 March 2019	-	728	215	943
At 31 March 2018	4	7	153	164

#### 14 Investments in subsidiaries, joint ventures and associates

	2019 £ 000	2018 £ 000
Investment in subsidiary	984	984

#### Subsidiary undertakings

The following were subsidiary undertakings of the company:

Name	Principal activity	Class of share	Holding
UK Power Limited	Price comparison and switching service	Ordinary	100%

The registered address of UK Power Limited is Minster Building, 21 Mincing Lane, 4th Floor, London, EC3R 7AG.

## Make it Cheaper Limited

### Notes to the Financial Statements for the Year Ended 31 March 2019

#### 15 Debtors

		2019 £ 000	2018 £ 000
<b>Due after more than one year</b>			
Accrued income		1,196	2,335
		<u>1,196</u>	<u>2,335</u>
	Note	2019 £ 000	2018 £ 000
<b>Due within one year</b>			
Trade debtors		1,168	971
Amounts owed from group undertakings		3,657	1,094
Prepayments		326	239
Accrued income		5,864	6,088
Other debtors		853	33
Deferred tax assets	19	186	1,077
		<u>12,054</u>	<u>9,502</u>

#### 16 Cash and cash equivalents

	2019 £ 000	2018 £ 000
Cash on hand	2,074	2,795
	<u>2,074</u>	<u>2,795</u>

#### 17 Creditors

	2019 £ 000	2018 £ 000
<b>Due within one year</b>		
Trade creditors	543	713
Amounts owed to group undertakings	4,831	6,560
Social security and other taxes	1,103	1,044
Other creditors	483	350
Accruals and deferred income	3,135	1,832
	<u>10,095</u>	<u>10,499</u>

## Make it Cheaper Limited

### Notes to the Financial Statements for the Year Ended 31 March 2019

#### 18 Provisions for liabilities

	Dilapidations £ 000
At 1 April 2018	-
Charge to profit and loss	<u>48</u>
At 31 March 2019	<u>48</u>

The provision relates to leased properties and is expected to unwind in 2029.

#### 19 Deferred tax

	£ 000
At 1 April 2018	1,077
Profit and loss account	<u>(891)</u>
At 31 March 2019	<u>186</u>

The deferred tax asset is made up as follows:

	2019 £ 000	2018 £ 000
Fixed asset timing differences	(748)	(270)
Losses	<u>934</u>	<u>1,347</u>
	<u>186</u>	<u>1,077</u>

The net deferred tax asset is expected to reverse in the next 12 months.

#### 20 Financial instruments

	2019 £ 000	2018 £ 000
Financial assets that are debt instruments measured at amortised cost	<u>5,159</u>	<u>2,097</u>
Financial liabilities measured at amortised cost	<u>(5,857)</u>	<u>(7,624)</u>

Financial assets measured at amortised cost comprise of trade debtors, amounts due from group undertakings and other debtors.

Financial liabilities measured at amortised cost comprise of trade creditors, amounts due to group undertakings and other creditors.



## Make it Cheaper Limited

### Notes to the Financial Statements for the Year Ended 31 March 2019

#### 21 Share capital

	2019 £ 000	2018 £ 000
<b>Allotted, called up and fully paid</b>		
100 (2018 - 100) Ordinary shares of £1 each	<u>-</u>	<u>-</u>

#### 22 Reserves

##### Other reserves

Other reserves have arisen from the share based payment charge. The shares over which the options were issued are that of the ultimate parent company, Smile Topco Limited (2018 - Make it Cheaper Group Limited). However, the services provided by the employees are within the subsidiary, Make it Cheaper Limited. Therefore, the charge is recognised in the profit and loss account and treated as a capital contribution from the ultimate parent entity within equity.

##### Profit and loss account

Profit and loss account represents retained profits and losses.

#### 23 Dividends

	2019 £ 000	2018 £ 000
Interim dividend of £Nil (2018 - £14,177.65) per ordinary share	<u>-</u>	<u>1,418</u>

#### 24 Pension and other schemes

##### Defined contribution pension scheme

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently managed fund.

The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £142,683 (2018 - £86,890).

## **Make it Cheaper Limited**

### **Notes to the Financial Statements for the Year Ended 31 March 2019**

#### **25 Obligations under leases and hire purchase contracts**

##### **Operating leases**

The total of future minimum lease payments is as follows:

	<b>2019</b>	<b>2018</b>
	<b>£ 000</b>	<b>£ 000</b>
Not later than one year	-	186
Later than one year and not later than five years	4,200	18
	<u>4,200</u>	<u>204</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £678,004 (2018 - £115,954).

#### **26 Related party transactions**

The company is exempt from disclosing related party transactions with other companies that are wholly owned within the group.

#### **27 Parent and ultimate parent undertaking**

The company is a wholly owned subsidiary of Make it Cheaper Group Limited, a company incorporated in England and Wales. The ultimate parent is Smile Topco Limited, a company incorporated in England and Wales.

The parent of the largest group in which these financial statements are consolidated is Smile Topco Limited. The parent of the smallest group in which these financial statements are consolidated is Make it Cheaper Group Limited. These financial statements are available upon request from Minster Building, 21 Mincing Lane, 4th Floor, London, EC3R 7AG

Smile Topco Limited is owned by a number of private shareholders and companies, those whom own more than 20% of the issued share capital of the company are listed below. Accordingly there is no ultimate controlling party.

Jonathan Elliott  
ECI Partners

#### **28 Non adjusting events after the financial period**

On 10 May 2019, the Group acquired the entire share capital of Castlegate 715 Limited which operates business comparison services.