The SimplyBiz Group Limited

Annual report and consolidated financial statements

Registered number 09619906

Year ended 31 December 2016

Contents

Company information

Directors	KE Davy SC Turvey ML Timmins NM Stevens GJ Kershaw THS Trotter DJ Etherington TP Clarke
Secretary	RJ Leonhardsen
Registered office	The John Smith's Stadium Stadium Way Huddersfield HD1 6PG
Registered number	09619906 (England and Wales)
Auditor	KPMG LLP 1 Sovereign Square Sovereign Street, Leeds LS1 4DA

Chairman's report

It is my privilege and pleasure, once again, to present the Annual Report and Accounts for the SimplyBiz Group. I am also pleased to be able to report that the year ending the 31st December has been another year of excellent growth.

The published results are presented in accordance with the latest IFRS accounting standards which create some anomalies in regards comparisons with earlier years. In view of this my Chairman's Report focuses on the well recognised basis of the earnings of the Group before interest, tax and depreciation (underlying EBITDA – as defined in note 8), which for the year ending 31 December 2016 was £8.53m. This compares with an underlying EBITDA of £7.73m in the previous year and £3.14m in 2012. Over the past five years therefore this represents an increase in underlying EBITDA of some 170%.

I believe that this excellent performance by the Group is all the more noteworthy when considered against the background of political and economic uncertainties which have faced us all in the U.K. Nor would it have been possible without the continued commitment of our staff and their dedication to delivering outstanding service to our customers. It is a real personal pleasure for me to be able to thank them on your behalf.

It is equally clear, that our continued progress and growth has not occurred by accident but rather as a result of a clear strategy, focussed on delivering Distribution Solutions and Business Services to the UKs financial services sector.

What this means in practical terms is that we are helping the financial services firms we serve, from the smallest intermediary to the UK's largest insurer, to succeed more effectively and profitably with our help than they could without it. With an intermediary and consumer credit customer base of a record 3,500 firms we help the country's largest insurance companies, investment groups and lenders, market their products more cost effectively to their target markets. Equally we are able to use our in depth experience and knowledge of the retail financial services sector and regulation to help individual intermediaries serve their clients compliantly and more profitably. It is very clear that the SimplyBiz Group is helping businesses succeed.

This simple objective is the driver of everything we do. I am confident that as we continue to focus our energies on helping businesses succeed, we ourselves will continue to grow and prosper regardless of the changes and uncertainties of the regulatory, political and economic environment.

I, along with everyone within the SimplyBiz Group, look forward to continuing to serve our customers in the coming year and beyond and to continuing our own growth and success by helping businesses succeed.

All good wishes.

KE Davy
Chairman

The John Smith's Stadium
Stadium Way
Huddersfield
HD1 6PG

31 August 2017

Strategic report

The directors present their Strategic report of the group and company for the period ended 31 December 2016.

The SimplyBiz Group Limited ("the Company") was incorporated on 2 June 2015. The Company was set up to acquire all of the share capital of Simply Biz Limited, and as such the combination has been accounted for under IFRS as a continuation of the Simply Biz Limited group. These financial statements therefore present the financial performance of the Group for the last 2 years.

Review of the Group

For the year ending 31 December 2016, turnover increased by 5.6% to £40.64m (2015: £38.48m) while operating profit before exceptional items grew by 10.2% to £8.32m (2015: £7.55m). Our operating profit was £8.26m (2015: £1.47m).

The underlying EBITDA (as defined in note 8), which is a key measure for the Board, increased by 10.5% to £8.53m (2015: £7.73m).

2016 has been a positive year for the group as we continued to develop our model of generating recurring revenues from Business Services and Distribution Solutions to the UK retail financial services market. Our core business services customer base grew to 2,676 firms (2015: 2,526), and we continued to make progress in the new Consumer Credit market attracting an additional 85 firms during the year to total 773 at year-end. We provided distribution solutions to 84 financial institutions during the year, a growth of 7 financial institutions, or approximately 10% of these clients compared with 2015. During 2016 we continued our R&D investment into our Workplace Software division and this programme is intended to complete at the end of 2017.

The group achieved EBITDA of £3.57m from Business Services and EBITDA of £4.90m from Distribution Solutions in 2016. We have prepared segmental information in this annual report and consolidated financial statements, however, the Board has considered the Group financial position as a whole for 2016.

Regulation

The Pensions Freedoms Act of 2015 saw continued increase in demand for financial advice during 2016. We have been active in providing guidance to the firms we serve and have arranged preferential access to a third party provider of Pensions Transfer services that will enable our customers to meet the needs of consumers while minimising business risk.

The BREXIT vote in June of 2016 saw unsettled markets in the short-term, however the initial losses soon reversed and the FTSE finished the year above the 7000 mark. During 2016 we saw sustained growth in demand for mortgages, investments and pensions however we are alert to the systemic risk to all financial markets that the procedure for leaving the EU will present in the years ahead. Our customer base is sufficiently diverse to sustain periods of reduced demand in individual product areas caused by economic uncertainty.

The Financial Advice Market Review placed significant focus on the access to, and affordability of, financial advice for UK consumers. This focus has contributed to a potentially competitive environment for new entrants to the sector who focus on 'Robo Advice' services. We have developed a website service for our customers that will enable them to offer online transactions and services when this new channel gains traction.

We continue to provide feedback to official consultation, and lobby through a variety of forums, on the Financial Services Compensation Scheme levy as its current funding formula presents an unfair burden on many of our customers.

Strategic report *(continued)*

The Future

The SimplyBiz Group continues to benefit from a loyal and diverse customer base, attractive margins, and very high levels of recurring income. Our team of 382 professional staff across 5 office locations in the UK present a formidable competitive advantage and our key asset in developing the opportunities that will come from the changes to our sector in the future.

We plan to continue to grow customer numbers in our core market and the new Consumer Credit market, while continuing to respond to changing needs by innovating new services. 2017 will see a clear focus on our two business segments; Business Services and Distribution Solutions, as we deliver new services to meet the needs of the demand-side and supply-side of retail financial services in the UK.

By order of the board

ML Timmins
Director

NM Stevens
Director

The John Smith's Stadium
Stadium Way
Huddersfield
HD1 6PG

31 August 2017

Directors' report

The directors present their Directors' report for The SimplyBiz Group Limited for the year ended 31 December 2016.

The SimplyBiz Group Ltd (the "Company") is incorporated in England and Wales. The financial statements consolidate the results and financial position of the Company and its subsidiary undertakings (the "Group").

Principal activities

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

Dividends

Dividends of £1,226,000 (2015: £17,000) were paid during the year.

Directors

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

KE Davy
SC Turvey
ML Timmins
NM Stevens
GJ Kershaw
THS Trotter (appointed 31 May 2016)
DJ Etherington (appointed 31 May 2016)
TP Clarke (appointed 28 December 2016)

Employees

It is the policy of the Group that all employees shall be given equal opportunities in all areas of employment.

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the group continues and that appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

The group places considerable value on the involvement of its employees and has continued to keep them involved in matters affecting them as employees and on various factors affecting the performance of the group. This is achieved through a processes of communication and participation. This involves the provision of information through normal management channels including regular face to face briefings from the members of the Board. Employees are consulted on a wide range of matters effecting their current and future interests.

Political contributions

Neither the Company nor any of its subsidiaries made any political donations or incurred any political expenditure during the year.

Policy and Practice on payment of creditors

It is the policy of the Group to agree terms and conditions for our business transactions with suppliers. The Group seeks to abide by the payment terms agreed with suppliers whenever we are satisfied that the supplier has provided the goods or services in line with the agreed terms and conditions. Where specific credit terms are not agreed with suppliers, the Group's policy is to pay to the suppliers normal terms.

Environment

The Group recognises the importance of environmental responsibility. The nature of our activities has minimal effect on the environment, but where they do, the Group acts responsibly and is aware of its obligations.

Directors' report *(continued)*

Health and safety

The health and welfare of our employees is paramount. We carry out regular health and safety training and assessments for our staff, who are predominately desk based in nature. The Directors receive a monthly health and safety report which includes all areas of risk and riddor within the Group.

Corporate Governance

Principles of corporate governance

As a private Company, The SimplyBiz Group Ltd is not required to comply with the provisions of the 2012 FRC UK Corporate Governance Code, however the Board recognises the value of good corporate governance as a positive contribution to the well being of the business and believe in applying these principles in a sensible and pragmatic manner.

Board of Directors

The Board of Directors consists of 8 members, including 3 independent Non-Exec Directors. The role of the Chairman and Joint Chief Executive Officers are separated and clearly defined. The activities of the Group are controlled by the Board, which meets regularly throughout the year.

There are formal Terms of Reference for the Board which are designed to ensure that the Board sets the Group's mission, vision, strategic goals and execution plans. Moreover, the Board ensure that the necessary financial and human resources are in place for the Group to meet its objectives.

Audit and Risk Committee

The audit and risk committee consists of the Group's 3 Non-Executive Directors, plus the Group's Chairman.

An independent Non-Executive Director Chairs' the Audit & Risk Committee. There are formal Terms of Reference for the Audit and Risk Committee, which determine that they meet at least once a year. Normal practice is that the Committee meet twice throughout the year, pre and post annual audit.

The Group manage a risk register which is maintained throughout the year and presented periodically to the Board of Directors.

Remuneration Committee

The Remuneration Committee consists of the Group's 3 Non-Executive Directors, plus the Group's Chairman.

An independent Non-Executive Director Chairs' the Remuneration Committee. There are formal Terms of Reference for the Remuneration Committee, which determine that they meet at least once a year.

Nomination Committee

The Nomination Committee consists of the Group's 3 Non-Executive Directors, plus the Group's Chairman.

An independent Non-Executive Director Chairs' the Nomination Committee, which has been established in late 2016 with formal Terms of Reference and will going forward meet at least once a year.

Disclosure of information to auditor

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

Directors' report *(continued)*

Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic report on page 3.

Auditor

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

By order of the board

SC Turvey
Director

The John Smith's Stadium
Stadium Way
Huddersfield
HD1 6PG

31 August 2017

Statement of directors' responsibilities in respect of the Strategic report, the Directors' report and the consolidated financial statements

The directors are responsible for preparing the Annual Report and the group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare the group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework.*

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent company financial statements, 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 group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

KPMG LLP
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

Independent auditor's report to the members of The SimplyBiz Group Limited

We have audited the financial statements of The SimplyBiz Group Limited for the year ended 31 December 2016 set out on pages 11 to 51. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework.*

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2016 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Independent auditor's report to the members of The SimplyBiz Group Limited *(continued)*

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

Ian Beaumont **(Senior Statutory Auditor)**
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

7 September 2017

Consolidated statement of profit or loss and other comprehensive income
for the year ended 31 December 2016

	Note	**Year ended 31 December 2016 £000**	Year ended 31 December 2015 £000
Revenue	*5-6*	**40,637**	38,397
Operating expenses	*7-10*	**(32,558)**	(37,010)
Other operating income		**178**	83
Group operating profit		**8,257**	1,470
Finance income	*11*	**46**	401
Finance costs	*12*	**(3,362)**	(2,393)
Profit / (loss) before taxation		**4,941**	(522)
Taxation	*13*	**(864)**	(151)
Profit / (loss) for the financial year		**4,077**	(673)

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

Consolidated statement of financial position
as at 31 December 2016

	Note	31 December 2016 £000	31 December 2016 £000	31 December 2015 £000	31 December 2015 £000
Non-current assets					
Property, plant and equipment	*16*	**430**		390	
Intangible assets	*17*	**17,611**		16,849	
Total non-current assets			**18,041**		17,239
Current assets					
Trade and other receivables	*19*	**8,702**		9,426	
Deferred tax asset		**66**		12	
Cash and cash equivalents - unrestricted	*20*	**7,096**		5,003	
Cash and cash equivalents - restricted	*20*	**545**		545	
Total current assets			**16,409**		14,986
Total assets			**34,450**		32,225
Equity and liabilities					
Equity attributable to the owners of the Company					
Share capital	*24*	**10**		10	
Share premium account		**50,852**		50,852	
Other reserves		**(63,147)**		(63,147)	
Retained earnings		**3,008**		157	
Total equity			**(9,277)**		(12,128)
Liabilities					
Current liabilities					
Trade and other payables	*21*	**7,142**		8,093	
Income tax liabilities	*21*	**-**		358	
Total current liabilities			**7,142**		8,451
Non-current liabilities					
Financial liabilities – borrowings	*22*	**33,367**		33,071	
Trade and other payables	*21*	**129**		128	
Financial instruments	*28*	**2,824**		2,701	
Deferred tax liabilities	*23*	**265**		2	
Total non-current liabilities			**36,585**		35,902
Total liabilities			**43,727**		44,353
Total equity and liabilities			**34,450**		32,225

These financial statements were approved by the board of directors on 31 August 2017 and were signed on its behalf by:

SC Turvey
Director

Company statement of financial position

as at 31 December 2016

	Note	31 December 2016		31 December 2015	
		£000	**£000**	£000	£000
Non-current assets					
Investments	*18*		**66,663**		66,663
Total non-current assets			**66,663**		66,663
Current assets					
Trade and other receivables	*19*	**19,753**		19,463	
Cash and cash equivalents - unrestricted	*20*	**9**		10	
Total current assets			**19,762**		19,473
Total assets			**86,425**		86,136
Equity and liabilities					
Equity attributable to the owners of the Company					
Share capital	*24*	**10**		10	
Share premium account		**50,852**		50,852	
Retained earnings		**1,239**		1,298	
Total equity			**52,101**		52,160
Liabilities					
Current liabilities					
Trade and other payables	*21*		**266**		337
Total current liabilities			**266**		337
Non-current liabilities					
Financial liabilities – borrowings	*22*		**33,367**		33,071
Derivative financial instrument	*28*		**691**		568
Total non-current liabilities			**34,058**		33,639
Total liabilities			**34,324**		33,976
Total equity and liabilities			**86,425**		86,136

These financial statements were approved by the board of directors on 31 August 2017 and were signed on its behalf by:

SC Turvey
Director

Company registered number: 9619906

Consolidated statement of changes in equity

	Share capital £000	Share premium £000	Other reserves £000	Retained earnings £000	Total equity £000
Balance at 1 January 2015	13	66,701	(63,382)	825	4,157
Total comprehensive income for the period					
Loss for the period	-	-	-	(673)	(673)
Total comprehensive income for the period	-	-	-	(673)	(673)
Transactions with owners, recorded directly in equity					
Acquisition and exchange of shares in Simply Biz Limited	(3)	(15,849)	235	5	(15,612)
Total contributions by and distributions to owners	(3)	(15,849)	235	5	(15,612)
Balance at 31 December 2015	10	50,852	(63,147)	157	(12,128)
Balance at 1 January 2016	10	50,852	(63,147)	157	(12,128)
Total comprehensive income for the period					
Profit for the period	-	-	-	4,077	4,077
Total comprehensive income for the period	-	-	-	4,077	4,077
Transactions with owners, recorded directly in equity					
Dividends	-	-	-	(1,226)	(1,226)
Total contributions by and distributions to owners	-	-	-	(1,226)	(1,226)
Balance at 31 December 2016	**10**	**50,852**	**(63,147)**	**3,008**	**(9,277)**

Company statement of changes in equity

	Share capital	Share premium	Retained earnings	Total equity
	£000	£000	£000	£000
Balance on incorporation	-	-	-	-
Total comprehensive income for the period				
Profit for the period	-	-	1,298	1,298
Total comprehensive income for the period	-	-	1,298	1,298
Transactions with owners, recorded directly in equity				
Issue of shares	10	50,852	-	50,862
Dividends	-	-	-	-
Total contributions by and distributions to owners	10	50,852	-	50,862
Balance at 31 December 2015	10	50,852	1,298	52,160
Balance at 1 January 2016	10	50,852	1,298	52,160
Total comprehensive income for the period				
Profit for the year	-	-	1,141	1,141
Total comprehensive income for the period	-	-	1,141	1,141
Transactions with owners, recorded directly in equity				
Dividends	-	-	(1,200)	(1,200)
Total contributions by and distributions to owners	-	-	(1,200)	(1,200)
Balance at 31 December 2016	**10**	**50,852**	**1,239**	**52,101**

Consolidated statement of cash flows

for year ended 31 December 2016

	Note	Year ended 31 December 2016 £000	Year ended 31 December 2015 £000
Net cash generated from operating activities	26	**7,313**	7,981
Cash flows from investing activities			
Finance income		**46**	168
Purchase of property, plant and equipment		**(252)**	(208)
Development expenditure		**(859)**	(502)
Purchase of own shares		**-**	(4,463)
Net cash used in investing activities		**(1,065)**	(5,005)
Cash flows from financing activities			
Finance costs		**(2,929)**	(2,298)
New loans received		**-**	33,814
Loan repayments made		**-**	(23,338)
Acquisition of own shares		**-**	(15,809)
Issue of share capital		**-**	2
Dividends paid		**(1,226)**	(17)
Net cash (used in) / generated from financing activities		**(4,155)**	(7,646)
Net increase / (decrease) in cash and cash equivalents		**2,093**	(4,670)
Cash and cash equivalents at start of period		**5,548**	10,218
Cash and cash equivalents at end of period		**7,641**	5,548

Cash and cash equivalents, as at 31 December 2015 and 31 December 2016, includes £545,000 of cash in a restricted account (see note 20).

Notes

(forming part of the financial statements)

1 General information

The SimplyBiz Group Limited's principal activity is that of business services and distribution solutions to the retail financial services sector.

The SimplyBiz Group Limited ("the Company") is a company incorporated and domiciled in the United Kingdom. The address of its registered office is The John Smith's Stadium, Stadium Way, Huddersfield, HD1 6PG. The registered number is 09619906.

On June 2015, The SimplyBiz Group Limited (the Company) was set up as a vehicle to acquire all of the issued share capital of Simply Biz Limited for cash and shares. Under FRS 102, the Directors considered it was appropriate to account for the acquisition of the Simply Biz Limited business using the purchase method as non-controlling interests in the net assets of the combined entity were altered.

Under IFRS, the combined entity has been presented as a continuance of the Simply Biz Limited group by applying the principles of reverse acquisition accounting as its owners receive the largest proportion of the voting rights in the combined entity. As a result the assets and liabilities of Simply Biz Limited have been recorded at the values at which they were included in the books of Simply Biz Limited prior to the transaction.

2 Accounting policies

2.1 Basis of preparation

This financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and as adopted by the EU ("Adopted IFRS") and the International Financial Reporting Interpretations Committee interpretations and in accordance with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The financial information has been prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial instruments classified at fair value through the profit or loss, and intangible assets measured in accordance with the revaluation model and investments in associates and joint ventures measured at fair value.

The financial information is presented in the Company's presentational and functional currency of Pounds Sterling ("£"), quoted to the nearest £1,000 except when otherwise indicated.

The Company applied all standards and interpretations issued by the IASB that were effective as of 31 December 2016. The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in this financial information.

2.2 Basis of consolidation

The consolidated financial information includes the financial information of The SimplyBiz Group Limited and its subsidiary undertakings ("the Group"). Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and its ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group.

A special purpose entity ("SPE") is consolidated if the Group concludes that it controls the SPE.

Under Section of the Companies Act 2006, the Company is exempt from the requirement to present its own statement of profit or loss.

In the parent financial statements, investments in subsidiaries are carried at cost less impairment.

Notes *(continued)*

2 Accounting policies *(continued)*

2.3 Transition to Adopted IFRSs

The Group is preparing its financial statements in accordance with Adopted IFRS for the first time and consequently has applied IFRS 1. The Company is preparing its financial statements in accordance with FRS 101 for the first time. An explanation of how the transition to Adopted IFRSs has affected the reported financial position, financial performance and cash flows of the Group and Company is provided in note 35.

2.4 Adoption of new and revised standards

At the date of authorisation of this financial information, the following standards and interpretations which have not been applied in the financial information were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

- **IFRS 15 – 'Revenue from contracts with customers'** This standard deals with revenue recognition and establishes principles for reporting useful information to users of financial information about the nature, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and this has the ability to direct the use and obtain the benefits from the good or service. The standard is effective from 1 January 2018.

  The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted subject to EU endorsement. The Group is assessing the impact of IFRS 15.

- **IFRS 9 – 'Financial Instruments'** This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted subject to EU endorsement. The Group is assessing the impact of IFRS 9.

- **IFRS 16 – 'Leases'** (effective for annual periods beginning on or after 1 January 2019);

- **Amendments to IAS 7 – 'Cash Flow Statements'** (effective for annual periods beginning on or after 1 January 2017);

- **Amendments to IAS 12 – 'Income taxes on recognition of deferred tax assets for unrealised losses'** (effective for annual periods beginning on or after 1 January 2017);

- **Amendments to IFRS 2 – 'Share-based payments'** (effective for annual periods beginning on or after 1 January 2018);

- **Amendments to IFRS 10 – 'Consolidated Financial Statements' and IAS 28 'Investments in associates and joint ventures'** ***Sale or contribution of assets between an investor and its associate or joint venture.***

Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

Notes *(continued)*

2 Accounting policies *(continued)*

2.5 Classification of financial instruments issued by the Group

Financial instruments issued by the Group are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group; and

(b) where the instrument will, or may, be settled in the entity's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the entity's own equity instruments or is a derivative that will be settled by the entity exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the entity's own shares, the amounts presented in the financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

2.6 Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings and trade and other receivables.

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Investments in debt and equity securities

Ordinary shares are stated at amortised cost less impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the statement of cash flows.

2.7 Derivative financial instruments

Derivative financial instruments are recognised at fair value. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss.

Notes *(continued)*

2 Accounting policies *(continued)*

2.8 Going concern

The Group business activities, together with the factors likely to affect its future development, its financial position and its financial risk management objectives, as well as details of its financial instruments and its exposure to interest, credit and liquidity risk are described in Note 3.

The Group meets its day-to-day working capital requirements through operating cash flows, overdrafts and bank loan facilities. The Group's forecasts and projections, taking account of reasonable possible changes in trading performance, show that the Group is expected to have a sufficient level of financial resources available through facilities agreed and expected to be agreed when these fall due for renewal.

The Group has net current assets of £9,267,000 and net liabilities of £9,277,000 as at 31 December 2016.

On the basis of the Group's current and forecast profitability and cash flows, notwithstanding the net liabilities position of the Group, the directors consider and have concluded that the Group will have adequate resources to continue in operational existence for the foreseeable future. For these reasons they continue to adopt a going concern basis in the preparation of the financial statements.

2.9 Revenue recognition

Revenue is recognised when the significant risks and rewards of ownership have passed to the buyer, when the goods or services are delivered.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

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

Membership fee and other membership services

Membership fee income is recognised monthly, on a time basis. Revenue from other membership services is recognised at the point at which the service is delivered.

Product provider income

Product provider income represents marketing support services provided to third-party financial institutions. Revenue is recognised, in full, at the point at which control of the good or service is delivered.

Software licence income, licence fees and project fees

Revenue from software licence income and fees is recognised, in full, at the point at which control of the good or service is delivered. Annual licence income is recognised on a time basis.

Revenue from software project fees is recognised on the achievement of specific milestones reflected in the agreement with the customer. The Group has no long term projects.

Asset management fees

Asset management fees are accrued on a time basis, by reference to the value of assets under management

Commission received

Commission is recognised, in full, following the confirmation of the sale by the third party provider of underlying products, principally mortgage and insurance-related products.

Property valuation, legal and probate services

Revenue is recognised at the point at which the service is delivered to the customer.

Notes *(continued)*

2 Accounting policies *(continued)*

2.9 Revenue recognition (continued)

Interest income

Interest income is accrued on a time basis by reference to the principal outstanding and at the effective interest rate ('EIR') applicable. EIR is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the income statement.

2.10 Research and development expenditure

Research expenditure is recognised as an expense, in profit or loss, in the period in which it is incurred.

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group intends to and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Group can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve a plan or design for the production of new or substantially improved products or processes. Other development expenditure is recognised in the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

2.11 Tangible fixed assets

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

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

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

- office equipment 3 to 4 years

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

2.12 Business combinations

All business combinations are accounted for by applying the acquisition method. Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

Notes (continued)

2 Accounting policies *(continued)*

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

On a transaction-by-transaction basis, the Group elects to measure non-controlling interests which have both present ownership interests and are entitled to a proportionate share of net assets of the acquiree in the event of liquidation, either at its fair value or at its proportionate interest in the recognised amount of the identifiable net assets of the acquiree at the acquisition date. All other non-controlling interests are measured at their fair value at the acquisition date, unless another measurement basis is required.

2.13 Non-controlling interests

Acquisitions and disposals of non-controlling interests that do not result in a change of control are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result of such transactions. The adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. Any difference between the price paid or received and the amount by which non-controlling interests are adjusted is recognised directly in equity and attributed to the owners of the parent.

2.14 Intangible assets

Goodwill

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units or group of cash-generating units that are expected to benefit from the synergies of the business combination from which it arose. Goodwill is not amortised but is tested annually for impairment.

Other intangible assets

Expenditure on internally generated goodwill and brands is recognised in the statement of profit or loss as an expense as incurred.

Other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses.

Expenditure on development activities is, in certain circumstance, capitalised, (see also note 17). Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

Notes *(continued)*

2 Accounting policies *(continued)*

Amortisation

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

The Company reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

2.15 Impairment excluding inventories and deferred tax assets

Financial assets (including trade and other receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the entity's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to cash-generating units, or ("CGU") that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes *(continued)*

2 Accounting policies *(continued)*

2.16 Leases

Leases in which the entity assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease.

Payments (excluding costs for services and insurance) made under operating leases are recognised in the statement of profit or loss on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred.

2.17 Taxation

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

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

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The following temporary differences are not provided for:

- the initial recognition of goodwill;
- the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and
- differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

2.18 Pensions

The pension costs charged in the financial information represent the contributions payable by the Company during the period on the defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The amounts charged to the statement of profit or loss represent the contributions payable to the scheme in respect of the accounting period and represents the full extent of the Company's liability.

2.19 Dividends

Dividends are recognised when they become legally payable. In the case of interim dividends, this is when declared by the directors. In the case of final dividends, this is when approved by the shareholders at a general meeting.

Notes *(continued)*

2 Accounting policies *(continued)*

2.20 Put option

Put share options and agreements to forward purchase with non-controlling shareholders are recognised as a liability at the present value of the exercise price of the option or of the forward price, using the anticipated-acquisition model.

Under the anticipated-acquisition method, interests of the non-controlling shareholders, that hold the written put options or forward purchase agreements, are derecognised when the financial liability is recognised in liabilities, with the difference reflected in 'Other Equity'. Subsequent to initial recognition, changes to the carrying amount are recognised in the Profit and Loss Account.

2.21 Share warrants

Share warrants, which include a requirement to settle the obligation in cash, are reflected as a liability at fair value. Subsequent to initial recognition, changes to the carrying amount are recognised in profit or loss.

3 Financial instruments and financial risk management

The Company's principal financial liabilities comprise trade and other payables, borrowings, put options and share warrants. The primary purpose of these financial liabilities is to finance the operations. The Company has trade and other receivables and cash that derive directly from its operations.

Financial assets

The financial assets were as follows:

	31 December 2016	31 December 2015
	£000	£000
Cash and cash equivalents – unrestricted	**7,096**	5,003
Cash and cash equivalents - restricted	**545**	545
Trade and other receivables	**8,702**	9,426

The directors consider that the carrying amount of all financial assets approximates to their fair value.

Financial liabilities

The financial liabilities were as follows:

	31 December 2016	31 December 2015
	£000	£000
Trade and other payables	**7,142**	8,093
Borrowings	**33,367**	33,071
Share warrant	**691**	568

The directors consider that the carrying amount for all financial liabilities approximates to their fair value.

Notes *(continued)*

3 Financial instruments and financial risk management *(continued)*

Financial risk management

The Company is exposed to interest rate risk, credit risk and liquidity risk. The senior management oversees the management of these risks and ensure that the financial risk taking is governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Company's policies and risk appetite.

The board of directors review and agree the policies for managing each of these risks, which are summarised below:

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company accepts the risk of losing interest on deposits due to interest rate reductions. An interest rate cap agreement is utilised to partly cover the interest rate risk (see note 22).

Credit risk
Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including cash deposits with banks and financial institutions.

Trade receivables
Customer credit risk is managed subject to the Company's established policy, procedures and control relating to customer credit risk management. Credit risk is principally managed through the use of direct debit payments. Outstanding receivables are regularly monitored and discussed at executive management and board level.

The requirement for impairment is analysed at each reporting date. The calculation is based on actual incurred historical data. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 19. The Company does not hold collateral as security. The Company evaluates the concentration of risk with respect to trade receivables as low as there is limited reliance on single, or a few customers, instead sales are typically small in size.

Financial instruments and cash deposits
Credit risk from cash balances with banks and financial institutions is managed in accordance with the Company's policy. Credit risk with respect to cash is managed by carefully selecting the institutions with which cash is deposited.

Liquidity risk
The Company is strongly cash-generative and the funds generated by operating activities are managed to fund short-term working capital requirements. The board carefully monitors the levels of cash and is comfortable that for normal operating requirements.

The following table details the Company's remaining contractual maturity for its financial liabilities based on undiscounted contractual payments:

	Within 1 year £000	1 to 2 years £000	2 to 5 years £000	Over 5 years £000	Total £000
31 December 2015					
Trade and other payables	2,060	128	-	-	2,188
Borrowings	-	-	-	33,071	33,071
31 December 2016					
Trade and other payables	2,427	129	-	-	2,556
Borrowings	-	-	-	33,367	33,367

Notes *(continued)*

3 Financial instruments and financial risk management *(continued)*

Capital risk management
The Company manages its capital to ensure that it will be able to continue as a going concern while also maximising the operating potential of the business. The capital structure of the Company consists of equity attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings as disclosed in the Consolidated Statement of Changes in Equity. The Company is not subject to externally imposed capital requirements.

4 Critical accounting estimates and judgements

The Company makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below.

Impairment of goodwill
The Group is required to test, on an annual basis, whether goodwill has suffered any impairment. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the choice of a discount rate in order to calculate the present value of the cash flows. More information, including carrying values, is included in note 17.

5 Revenue

The total revenue for the Group has been derived from its principal activity; the provision of business services and distribution solutions to the retail financial services sector. All of this revenue relates to trading undertaken in the United Kingdom.

Notes *(continued)*

6 Segmental information

In the period covered by this historical financial information, the Company was domiciled in the UK and as such all revenue is derived from external customers in the United Kingdom.

During the period under review, the information reported to the Company's joint Chief Executive Officers, who are considered to be the chief operating decision makers, was predominately based on the consolidated Group, with disaggregation where appropriate. The consolidated information is shown in the statement of profit or loss.

From 1 January 2017, the Group has established two operating segments, which are considered to be reportable segments under IFRS. The two reportable segments are:

- Business Services
- Distribution Solutions

The reportable segments are strategic business units that offer different products and services. Operating segments are reported in a manner consistent with the internal reporting produced to the chief operating decision-makers.

The tables below present the segmental information on the revised basis for the periods ended 31 December 2016 and 2015.

	Year ended 31 December 2016	Year ended 31 December 2015
	£000	£000
Business Services		
Revenue	**20,268**	19,568
Operating expenses, before amortisation and depreciation	**(16,703)**	(19,525)
Business Services EBITDA	**3,565**	43
Distribution Solutions		
Revenue	**20,369**	18,829
Operating expenses, before amortisation and depreciation	**(15,465)**	(17,223)
Distribution Solutions EBITDA	**4,904**	1,606
Total EBITDA	**8,469**	1,649
Depreciation	**(212)**	(179)
Operating profit	**8,257**	1,470

In determining the trading performance of the operating segments central costs are allocated based on the divisional contribution of revenue to the Group.

The statement of financial position is not analysed between reporting segment for management and the chief decision-makers consider the Group statement of financial position as a whole.

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

Notes *(continued)*

7 Operating profit

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

	Year ended 31 December 2016 £000	Year ended 31 December 2015 £000
Depreciation of tangible assets	**212**	179
Payments in respect of operating leases	**3,904**	3,404
Research expenditure	**699**	967
Operating costs of exceptional nature:		
Costs in relation to corporate restructuring and refinancing	**-**	5,170
Restructuring costs	**57**	604
Provision against loan	**-**	(27)
Customer Settlement	**-**	100
Group reorganisation related costs	**9**	234
	66	6,081

Auditor's remuneration:

	Year ended 31 December 2016 £000	Year ended 31 December 2015 £000
Audit of these financial statements	**30**	30
Amounts receivable by the Company's auditor and its associates in respect of:		
Audit of financial statements of subsidiaries of the Company	**40**	40
Taxation compliance services	**30**	30

8 Reconciliation of underlying EBITDA

Underlying Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) are as follows:

	Year ended 31 December 2016 £000	Year ended 31 December 2015 £000
Operating profit	**8,257**	1,470
add back:		
Depreciation	**212**	179
Operating costs of exceptional nature (note 7)	**66**	6,081
	8,535	7,730

Notes *(continued)*

9 Staff numbers and costs

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

	Number of employees Year ended 31 December 2016	Number of employees Year ended 31 December 2015
Directors	**6**	5
Operational	**371**	379
	377	384

The aggregate payroll costs of these persons were as follows:

	Year ended 31 December 2016 £000	Year ended 31 December 2015 £000
Wages and salaries	**15,944**	15,240
Social security costs	**1,662**	1,500
Contributions to defined contribution plans	**347**	329
	17,953	17,069

10 Directors' remuneration

	Year ended 31 December 2016 £000	Year ended 31 December 2015 £000
Directors' remuneration	**980**	751
Company contributions to money purchase pension plans	**12**	203

The aggregate of remuneration of the highest paid director was £256,000 and Company pension contributions of £4,000 were made to a money purchase scheme on his behalf.

	Number of directors	
	Year ended 31 December 2016	Year ended 31 December 2015
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	**4**	4

Notes *(continued)*

11 Finance income

	Year ended 31 December 2016 £000	Year ended 31 December 2015 £000
Bank interest receivable	**46**	168
Fair value gain on financial instruments	-	233
	46	401

12 Finance expense

	Year ended 31 December 2016 £000	Year ended 31 December 2015 £000
Interest payable on financial liabilities at amortised cost	**3,239**	2,393
Fair value loss on financial instrument	**123**	-
	3,362	2,393

13 Taxation

	Year ended 31 December 2016 £000	**£000**	Year ended 31 December 2015 £000	£000
Current tax				
Current tax on income for the year		**890**		174
Adjustments in respect of prior periods		**(235)**		-
Total current tax		**655**		174
Deferred tax (see note 23)				
Origination and reversal of timing differences	**209**		(23)	
Total deferred tax		**209**		(23)
Total tax		**864**		151

No income or deferred tax has been reported in other comprehensive income or has been recognised directly in equity.

Notes *(continued)*

13 Taxation *(continued)*

Analysis of current tax recognised in profit or loss

	Year ended 31 December 2016 £000	Year ended 31 December 2015 £000
UK corporation tax	**890**	174
Adjustment in respect of prior periods	**(235)**	-
Total current tax recognised in statement of profit or loss	**655**	174

Reconciliation of effective tax rate

	Year ended 31 December 2016 £000	Year ended 31 December 2015 £000
Profit / (loss) for the year	**4,077**	(673)
Total tax charge	**864**	151
Profit / (loss) before taxation	**4,941**	(522)
Tax using the UK corporation tax rate of 20% (2015: 20%)	**988**	(104)
Non-deductible expenses	**283**	255
Allowable development expenditure	**(172)**	-
Adjustments in respect of prior year	**(235)**	-
Total tax charge included in profit or loss	**864**	151

Changes affecting the future tax charge

A reduction in the UK corporation tax rate from 21% to 20% (effective 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This is expected to reduce the Group's future current tax accordingly.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date and therefore these have been measured at 17% to 20%.

Notes *(continued)*

14 Dividends

	Year ended 31 December 2016 £000	Year ended 31 December 2015 £000
Dividend paid by the Company	**1,200**	-
Dividend paid by Simply Biz Limited	**26**	17
	1,226	17
Dividends per share (pence):		
Dividend paid by the Company	**14.3p**	-
Dividend paid by Simply Biz Limited	**0.3p**	0.2p

15 Profit of the parent company

As permitted by Section 408 of the Companies Act 2006, the statement of profit or loss of the Company is not presented as part of these financial statements. The Company's profit for the financial year was £1,141,000 (2015: £1,298,000).

16 Property, plant and equipment

Group	**Office equipment £000**	**Total £000**
Cost		
At 1 January 2015	695	695
Additions	208	208
At 31 December 2015	903	903
Additions	252	252
At 31 December 2016	1,155	1,155
Depreciation and impairment		
At 1 January 2015	334	334
Deprecation charge for the year	179	179
At 31 December 2015	513	513
Depreciation charge for the year	212	212
At 31 December 2016	725	725
Net book value		
At 31 December 2016	**430**	**430**
At 31 December 2015	390	390

Notes *(continued)*

17 Intangible assets

Group

	Goodwill	Development expenditure	Total
	£000	£000	£000
Cost			
At 1 January 2015	16,347	-	16,347
Additions	-	502	502
At 31 December 2015	16,347	502	16,849
Additions	-	859	859
Adjustments in year	(97)	-	(97)
At 31 December 2016	16,250	1,361	17,611
Amortisation and impairment			
At 1 January 2015, 31 December 2015 and 2016	-	-	-
Net book value			
At 31 December 2016	**16,250**	**1,361**	**17,611**
At 31 December 2015	16,347	502	16,849

No amortisation has been charged on the development expenditure as the project has not yet reached commercial launch.

The carrying amount of goodwill is allocated across operating segments, which are groups of cash-generating units ("CGUs") as follows:

	31 December 2016	31 December 2015
	£000	£000
Business Services	**12,823**	12,920
Distribution Solutions	**3,427**	3,427
	16,250	16,347

Notes *(continued)*

17 Intangible Assets (continued)

The Group has determined that, for the purposes of impairment testing, each segment is a cash generating unit ("CGU"). The recoverable amounts for the CGUs are predominantly based on value in use, which is calculated on the cash flows expected to be generated using the latest projected data available over a five year period. The key assumptions in the value in use calculation are the discount rate (12.9%) (2015: 14.8%), the growth rate (2%, 2015: 2%) and projected EBITDA. The discount rate is based on the Group's pre-tax cost of capital, which is compared with other discount rates in the sector.

The projected EBITDA is built up on the Board approved budget and future projections of revenue growth rates, changes in selling prices and overhead cost growth. These changes in revenues and cost are forecast based on the knowledge and expertise of operational staff, taking into account historical trends.

The directors have reviewed the recoverable amounts of the CGUs and having performed appropriate sensitivity testing on the key assumptions described above, have considered that sufficient headroom within the value in use calculations exists at 31 December 2016.

18 Fixed asset investments

Company	**Shares in group undertakings £000**	**Total £000**
Cost		
At 1 January 2016 and 31 December 2016	66,663	66,663
Provisions		
At 1 January 2016 and 31 December 2016	-	-
Net book value		
At 31 December 2016	**66,663**	**66,663**
At 31 December 2015	66,663	66,663

The directors consider the carrying value of investments to be supported by the net assets and future cash flows of the businesses.

Notes *(continued)*

18 Fixed asset investments *(continued)*

	Country of incorporation	Principal activity	Class and percentage of shares held Group	Company
Subsidiary undertakings				
Simply Biz Limited	UK	Group management	Ordinary 100%	Ordinary 100%
SIFA Limited	UK	Business support services	Ordinary 100%	
Simply Biz Support Limited	UK	Various business support services	Ordinary 100%	
APS Legal and Associates Limited	UK	Legal services	Ordinary 100%	
Simply Legal and Associates Limited	UK	Dormant	Ordinary 70%	
Professional Finance Centres Limited	UK	Non trading	Ordinary 100%	
Simply Biz Services Limited	UK	Various business services	Ordinary 100%	
Simply Biz Mortgages Limited	UK	Provision of mortgage club facility	Ordinary 100%	
Capital Reward Clients Limited	UK	Holding of clients from retired IFAs	Ordinary 100%	
Broker Support Services Limited	UK	Dormant	Ordinary 100%	
Staffcare Limited *	UK	Business support software	Ordinary 78.57%	
Capital Reward Limited	UK	Non trading	Ordinary 99.84%	
Capital Reward Plus Limited	UK	Transactional financial advice	Ordinary 100%	
New Model Business Academy Limited	UK	Business services training	Ordinary 100%	
Compliance First Services Limited	UK	Dormant	Ordinary 100%	
Compliance 24/7 Limited	UK	Dormant	Ordinary 100%	
Compliance First Limited	UK	Compliance consultants	Ordinary 100%	
360 Legal Group Limited	UK	Business services	Ordinary 100%	
360 Law Limited	UK	Dormant	Ordinary 100%	
360 Lawyers Limited	UK	Dormant	Ordinary 100%	
Bespoke Compliance Solutions Limited	UK	Dormant	Ordinary 100%	
Home Information Group Limited	UK	Property survey agency	Ordinary 100%	
Sonas Surveyors Limited	UK	Survey and valuation services	Ordinary 100%	
Gateway Panel Management Limited	UK	Dormant	Ordinary 100%	
Tansley Wills Limited	UK	Dormant	Ordinary 100%	
IKST Limited	UK	Dormant	Ordinary 100%	
Verbatim Asset Management Limited	UK	Holding company	Ordinary 66.94%	
Verbatim Portfolio Management Limited	UK	Investment planning tools	Ordinary 100%	
Verbatim Advisor Services Limited	UK	Technology integration services	Ordinary 100%	
Verbatim Investments Limited	UK	Asset management vehicle	Ordinary 100%	

* As at 31 December 2016, there were put and call options in respect of the ordinary shares in Staffcare Limited that the Group (through Simply Biz Limited) does not own. The Group acquired 16,394 shares in Staffcare Limited in January 2017, thereby increasing the shareholding to 85%. On 24 July 2017, the Group entered into an agreement to purchase the remaining shares in Staffcare Limited, with the first tranche of 16,078 ordinary shares purchased on 3 August 2017, increasing the shareholding to 91.3%.

The registered address of all subsidiaries, with the exception of Staffcare Limited and Compliance First Limited, is The John Smith's Stadium, Stadium Way, Huddersfield, HD1 6PG. The registered addresses of the exceptions are as follows:

- Staffcare Limited – Leatherhead House, Station Road, Leatherhead, Surrey, KT22 7FG
- Compliance First Limited – First Floor, 2000 Academy Business Park, Gower Street, Glasgow, GS1 1PR

Notes *(continued)*

19 Trade and other receivables

	Group 31 December 2016 £000	**Company 31 December 2016 £000**	Group 31 December 2015 £000	Company 31 December 2015 £000
Trade receivables	**4,156**	**-**	5,767	-
Provision against receivables	**(99)**	**-**	(230)	-
	4,057	**-**	5,537	-
Amounts owed by group undertakings	**-**	**19,748**	-	19,450
Other receivables	**202**	**-**	104	-
Prepayments and accrued income	**2,996**	**5**	1,829	13
Corporation tax	**1,447**	**-**	1,956	-
	8,702	**19,753**	9,426	19,463

The directors consider that the carrying amount of trade and other receivables approximately to their fair value.

Trade receivables do not carry interest.

The ageing profile of overdue trade receivables was as follows:

	Group 31 December 2016 £000	Group 31 December 2015 £000
31 – 60 days	**538**	718
61 – 90 days	**82**	684
Over 90 days	**390**	311
	1,010	1,713

The Company provides against trade receivables where there are serious doubts as to future recoverability based on prior experience, on assessment of the current economic climate and on the length of time that the receivable has been overdue.

Movement in the provision for trade receivables was as follows:

	Group 31 December 2016 £000	Group 31 December 2015 £000
Balance at beginning of period	**230**	-
Increase for trade receivables regarded as potentially uncollectable	**52**	230
Decrease in provision for trade receivables recovered, or written off, during the period	**(183)**	-
	99	230

Notes *(continued)*

20 Cash and cash equivalents

	Group 31 December 2016 £000	**Company 31 December 2016 £000**	Group 31 December 2015 £000	Company 31 December 2015 £000
Cash at bank and in hand – unrestricted	**7,096**	**9**	5,003	10
Cash at bank and in hand – restricted	**545**	**-**	545	-
Cash and cash equivalents per cash flow statement	**7,641**	**9**	5,548	10

Cash and cash equivalent comprise cash at bank and cash in hand. Cash at bank earns interest at floating rates based on daily bank deposit rates.

The Company holds £545,000 of cash in a restricted account to cover a potential claim involving a former subsidiary of the Group.

21 Trade and other payables

	Group 31 December 2016 £000	**Company 31 December 2016 £000**	Group 31 December 2015 £000	Company 31 December 2015 £000
Current liabilities				
Trade payables	**1,864**	**-**	1,365	-
Income taxations	**-**	**-**	358	-
Other tax and social security	**1,576**	**-**	1,867	-
Other payables	**563**	**153**	695	231
Accruals and deferred income	**3,139**	**113**	4,166	106
	7,142	**266**	8,451	337
Non-current liabilities				
Other payables	**129**	**-**	128	-
	129	**-**	128	-

The directors consider that the carrying amount of trade and other payables approximates to their fair value.

Notes *(continued)*

22 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's and Company's interest-bearing loans and borrowings.

	Group 31 December 2016 £000	**Company 31 December 2016 £000**	Group 31 December 2015 £000	Company 31 December 2015 £000
Secured bank loan:				
Current	**-**	**-**	-	-
Non-current	**34,371**	**34,371**	34,257	34,257
Less loan arrangement fees	**(1,004)**	**(1,004)**	(1,186)	(1,186)
	33,367	**33,367**	33,071	33,071

On 22 June 2015 the Group took out a loan for £35m, plus a share warrant financial instrument. This compound instrument was fair valued to be a £34.2m bank loan and £800k share warrant (note 27).

The £35 million bank loan, which is denominated in Pounds Sterling, carries an interest rate of LIBOR plus 7.5 per cent. Loans are measured at amortised cost.

The £35 million bank loan is fully drawn down and repayable in full at the end of the term (June 2022).

The Group has entered into an agreement to cap the LIBOR at 3.5% in respect of £23.3 million of the bank loan. The agreement terminates on 31 August 2017.

Notes *(continued)*

23 Deferred taxation

	Group 31 December 2016 £000	Company 31 December 2016 £000	Group 31 December 2015 £000	Company 31 December 2015 £000
Deferred taxation				
Balance at the beginning of the period	**10**	-	(13)	-
(Provided) / released during the period	**(209)**	-	23	-
Balance at the end of the period	**(199)**	-	10	-

	Accelerated capital allowances £000	Short term timing differences £000	Other timing differences £000	Total £000
Balance at 1 January 2016	(2)	6	6	10
Credit/(charge) to profit or loss	(200)	(3)	(6)	(209)
Balance at 31 December 2016	**(202)**	**3**	**-**	**(199)**

	Accelerated capital allowances £000	Short term timing differences £000	Other timing differences £000	Total £000
Balance at 1 January 2015	(51)	-	38	(13)
Credit/(charge) to profit or loss	49	6	(32)	23
Balance at 31 December 2015	**(2)**	**6**	**6**	**10**

Deferred tax assets and liabilities are attributable to the following:

Group	**Assets 31 December 2016 £000**	**Liabilities 31 December 2016 £000**	**Net 31 December 2016 £000**	Assets 31 December 2015 £000	Liabilities 31 December 2015 £000	Net 31 December 2015 £000
Accelerated capital allowances	**7**	**(4)**	**3**	6	-	6
Short term timing differences	**59**	**(261)**	**(202)**	-	(2)	(2)
Other	-	-	-	6	-	6
Net tax assets/(liabilities)	**66**	**(265)**	**(199)**	12	(2)	10

The Company has no deferred tax.

Notes *(continued)*

24 Capital and reserves

Share capital

	Ordinary A shares	Ordinary B shares	Ordinary C shares	Ordinary D shares	Total
Number of fully paid shares:					
On incorporation of The Simply Biz Group Limited *	-	-	-	-	-
Issued for cash and shares	8,349,148	50,852	1,331,112	265,310	9,996,422
At 31 December 2015	8,349,148	50,852	1,331,112	265,310	9,996,422
At 1 January 2016	8,349,148	50,852	1,331,112	265,310	9,996,422
Repurchase of shares and cancellation	-	-	-	(8,336)	(8,336)
At 31 December 2016	**8,349,148**	**50,852**	**1,331,112**	**256,974**	**9,988,086**

* At 1 January 2015, Simply Biz Limited had 7,239,587 shares in issue, which had a nominal value of 1p each. These shares were purchased when The Simply Biz Group Limited combined with the previous Group on 22 June 2015.

On 28 November 2016 and 7 December 2016, the Company bought back, and cancelled, 2,747 and 6,593 D ordinary shares respectively.

	31 December 2016 £	31 December 2015 £
Allotted, called up and fully paid		
8,349,148 A ordinary shares of £0.001 each	**8,349**	8,349
50,852 B ordinary shares of £0.001 each	**51**	51
1,331,112 C ordinary shares of £0.001 each	**1,331**	1,331
256,974 (2015: 265,310) D ordinary shares of £0.001 each	**257**	265
	9,988	9,996
Shares classified as liabilities	-	-
Shares classified in shareholders' funds	**9,988**	9,996
	9,988	9,996

All classes of share rank pari-passu in all respects other than the fact that C and D ordinary shares carry no right to dividend.

On 22 June 2015, the Company issued a warrant instrument to subscribe for ordinary B shares comprising 1.2% of the Company's capital. The warrant instrument is exercisable on a sale or a share listing. Following the 4th anniversary of the instrument, and prior to the 7th anniversary, the warrant holders may surrender warrants for a cash price.

Notes *(continued)*

25 Other reserves

	Merger reserve	Capital redemption reserve	Put and Call Option Reserve	Total
	£000	**£000**	**£000**	**£000**
At 1 January 2015	(61,630)	8	(1,760)	(63,382)
Group reorganisation	235	-	-	235
At 31 December 2015 and 31 December 2016	**(61,395)**	**8**	**(1,760)**	**(63,147)**

26 Notes to the cash flow statement

	Year ended 31 December 2016	Year ended 31 December 2015
	£000	£000
Cash flow from operating activities		
Profit / (loss) after taxation	**4,077**	(673)
Add back:		
Finance income	**(46)**	(168)
Finance cost	**3,239**	2,393
Fair value gains / losses on derivative financial instrument	**123**	(233)
Taxation	**864**	151
	8,257	1,470
Adjustments for:		
Depreciation of property, plant and equipment	**212**	179
Operating cash flow before movements in working capital	**8,469**	1,649
(Increase) / decrease in receivables	**(79)**	6,052
(Decrease) / increase in trade and other payables	**(604)**	280
Cash generated from operations	**7,786**	7,981
Income taxes paid	**(473)**	-
Net cash generated from operating activities	**7,313**	7,981

Notes *(continued)*

27 Group reorganisation

Simply Biz Limited

On 2 June 2015, The SimplyBiz Group Limited (the Company) was set up as a vehicle to acquire all of the issued share capital of Simply Biz Limited for cash and shares. On 22 June 2015, the Company acquired all of the issued share capital of Simply Biz Limited for a consideration of £66,663,000 plus costs. The transaction also involved the Company acquiring shares from certain minority shareholders for cash.

Under FRS 102, the Directors considered it was appropriate to account for the acquisition of the Simply Biz Limited business using the purchase method as non-controlling interests in the net assets of the combined entity were altered.

Under IFRS, the combined entity has been presented as a continuance of the Simply Biz Limited group by applying the principles of reverse acquisition accounting as its owners receive the largest proportion of the voting rights in the combined entity. As a result the consolidated financial statements of the new entity are presented using the retained earnings and reserves from the consolidated financial statements of the previous Group holding company, along with the issued share capital and premium of the new company. The resulting difference that arises has been recognised as a component of entity, namely the merger reserve.

The financial statements have also been presented as a continuation of the existing Simply Biz Limited Group, and therefore cover the 2 year period from 1 January 2015.

Notes *(continued)*

28 Financial instruments

Financial instruments carried at fair value are measured by reference to the following fair value hierarchy:

- Level 1: quoted prices in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Derivative financial instruments are carried at fair value and measured under level 2 or level 3 valuation method.

Derivative financial

	Group 31 December 2016 £000	**Company 31 December 2016 £000**	Group 31 December 2015 £000	Company 31 December 2015 £000
Derivative liabilities (level 2)				
Interest rate contract	-	-	-	-
Derivative liabilities (level 3)				
Share Warrant	**691**	**691**	568	568

Movement in Fair Value of Share Warrant:

	31 December 2016 £000	31 December 2015 £000
As at 1 January 2016 / on inception	**568**	800
Charged / (credited) to P&L	**123**	(232)
At 31 December	**691**	568

Interest rate contract

At 31 December 2016, the Group had entered into an agreement to cap LIBOR at 3.5% in respect of £23.3 million to hedge a portion of the variable interest rate risk on bank loans. Fair value movements of £nil (31 December 2015: £nil) were expensed to the income statement.

The interest rate contract terminates on 31 August 2017.

Share warrant

On 22 June 2015, the Company issued a warrant instrument to subscribe for B ordinary shares comprising 1.2% of the Company's fully diluted share capital. The warrant instrument is exercisable on a sale or a share listing. Following the 4th anniversary of the instrument, and prior to the 7th anniversary, the warrant holders may surrender warrants for a cash price equivalent to 1.2% of the fair market value of the Company.

Put option

As at 31 December 2016, there were put and call options in respect of the 54,648 ordinary shares in Staffcare Limited that the Company did not own. Subsequent to the year-end agreements have been reached to purchase the remaining shares over the next three years.

Notes *(continued)*

29 Financial commitments

Operating leases

Obligations under non-cancellable operating lease rentals are as follows:

	Land and buildings 31 December 2016 £000	**Other 31 December 2016 £000**	Land and buildings 31 December 2015 £000	Other 31 December 2015 £000
Less than one year	**338**	**1,662**	374	1,633
Between one and five years	**725**	**1,152**	1,137	2,350
More than five years	**-**	**-**	-	-
	1,063	**2,814**	1,511	3,983

During the year £3,904,000 (2015: 3,404,000) was recognised as an expense in profit or loss in respect of operating leases.

The Company has no operating leases.

30 Contingencies

All companies within the group are party to a cross guarantee against the bank loans of The SimplyBiz Group Limited. The total amount outstanding at 31 December 2016 amounted to £35,000,000 (2015: £35,000,000).

31 Pension and other post-retirement benefit commitments

Defined contribution

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund. At the period end, pension contributions of £40,060 (31 December 2015: £43,597) were outstanding.

Notes *(continued)*

32 Related parties

Group

Identity of related parties with which the Group has transacted

Sandringham Financial Partners Limited, a company in which N Stevens and M Timmins are shareholders. Clear View Assured Limited is also a shareholder in Sandringham Financial Partners Limited, in which various directors of the Company are shareholders, and in which both S Turvey and N Stevens are directors: The Group paid expenses on behalf of Sandringham Financial Partners Limited of £25k, and sold services to them for £71k. The balance at the end of the year held in debtors was £4k of which provision was £nil. The balance held in creditors was £4k.

Huddersfield Giants Limited (a company in which Ken Davy is a director and S Turvey is a shareholder): Huddersfield Giants Limited was paid £60k by the Group for sponsorship and other services during the period, and £30k remained unpaid at the end of the year.

Kirklees Stadium Development Limited (a company in which Ken Davy is a director): Kirklees Stadium Development Limited was paid £157k by the Group for property costs and other services during the period. Amounts owed at the period end totalled £16k.

MMUNIC Limited (a company controlled by Matt Timmins and Neil Stevens): the Group made purchases from MMUNIC Limited for £7k during the period and owed £1k to the Company at the period end.

During the period the Group paid Trotter & Co Limited an amount of £25k in respect of consultancy services. T Trotter is a shareholder and director of Trotter & Co Limited and also a director of the Company. £2k is outstanding at the period end and held within creditors.

During the period the Group paid Quantum Strategic Consultancy Services Limited an amount of £41k in respect of consultancy services. D Etherington is a shareholder and director of Quantum Strategic Consultancy Services Limited and also a director of the Company. £nil is outstanding at the period end and held within creditors.

Transactions with key management personnel

The Group had no other transactions with key management personnel other than those included within directors' remuneration in note 10, save for:

Dividends to directors

	Group 31 December 2016 £000	Group 31 December 2015 £000
K E Davy	**609**	-
K E Davy trusts	**132**	-
S C Turvey	**217**	-
M L Timmins	**22**	-
N M Stevens	**22**	-
G J Kershaw	**2**	-
	1,004	-

Notes *(continued)*

33 Ultimate controlling party

The ultimate controlling party is deemed to be K E Davy by virtue of shareholding.

34 Subsequent events

On 5 January 2017, the Group acquired a further 16,394 shares in Staffcare Limited for a cash consideration of £1,092,805. On 24 July 2017, the Group entered into an agreement to purchase the remaining shares in Staffcare Limited, with the first tranche of 16,078 ordinary shares purchased on 3 August 2017.

35 Transition to IFRS

As stated in note 1, these are the Group's first consolidated financial statements prepared in accordance with Adopted IFRSs.

The accounting policies, set out in note 2, have been applied in preparing the financial statements for the year ended 31 December 2016, for the comparative information presented in these financial statements for the year ended 31 December 2015 and in the preparation of the opening IFRS statement of financial position at 1 January 2015, the Group's date of transition (presented below).

In preparing its opening IFRS statement of financial position, the Group has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP and FRS 102). An explanation of how the transition from UK GAAP / FRS 102 to Adopted IFRSs has affected the Group's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

The Group has not previously presented financial statements as at 1 January 2015. Under IFRS the combined entity has been presented as a continuance of the Simply Biz Limited group with its assets and liabilities prior to the combination recorded using the amounts at which they were reported in the Simply Biz Limited group accounts. As a result the table on the next page reconciles the statement of financial position of Simply Biz Limited group from UK GAAP to IFRS.

Notes *(continued)*

35 Transition to IFRS *(continued)*

Statement of Financial Position reconciliation as at 1 January 2015 - Group

	Note	UK GAAP £000	Effect of transition to Adopted IFRSs £000	Adopted IFRSs £000
Non-current assets				
Property, plant and equipment		361	-	361
Intangible assets		16,347	-	16,347
Investment	g	4,099	(4,099)	-
Total non-current assets		20,807	(4,485)	16,708
Current assets				
Trade and other receivables		8,305	-	8,305
Deferred tax asset		18	-	18
Investments		832	-	832
Cash and cash equivalents - unrestricted		10,218	-	10,218
Total current assets		19,373	-	19,373
Total assets		40,180	(4,099)	36,081
Equity and liabilities				
Equity attributable to the owners of the Company				
Share capital		72	-	72
Share premium account		5,012	-	5,012
Other reserves	d	8	(1,760)	(1,752)
Accumulated losses	g	5,310	(4,485)	825
		10,402	(6,245)	4,157
Non-controlling interests	d	373	(373)	-
Total equity		10,775	(6,618)	4,157
Liabilities				
Current liabilities				
Financial liabilities – borrowing		1,283	-	1,283
Trade and other payables		8,073	386	8,459
Income tax liabilities		293	-	293
Total current liabilities		9,649	-	10,035
Non-current liabilities				
Financial liabilities – borrowings		19,245	-	19,245
Trade and other payables		480	-	480
Derivative financial instruments	d	-	2,133	2,133
Deferred tax liabilities		31	-	31
Total non-current liabilities		19,756	2,133	21,889
Total liabilities		29,405	2,519	31,924
Total equity and liabilities		40,180	(4,099)	36,081

Notes *(continued)*

35 Transition to IFRS *(continued)*

Statement of Financial Position reconciliation as at 31 December 2015 - Group

	Note	*FRS 102*	*Effect of transition to Adopted IFRSs*	*Adopted IFRSs*
		£000	*£000*	*£000*
Non-current assets				
Property, plant and equipment		390	-	390
Intangible assets	a, b, c, & f	83,891	(67,042)	16,849
Total non-current assets		84,281	(67,042)	17,239
Current assets				
Trade and other receivables		9,426	-	9,426
Deferred tax asset		12		12
Cash and cash equivalents - unrestricted		5,003	-	5,003
Cash and cash equivalents - unrestricted		545	-	545
Total current assets		14,986	-	14,986
Total assets		99,267	(67,042)	32,225
Equity and liabilities				
Equity attributable to the owners of the Company				
Share capital		10	-	10
Share premium account		50,852	-	50,852
Other reserves	f	-	(63,147)	(63,147)
Accumulated losses	a, b & c	(2,355)	2,512	157
		48,507	(60,635)	(12,128)
Non-controlling interests	d	737	(737)	-
Total equity		49,244	(61,372)	(12,128)
Liabilities				
Current liabilities				
Trade and other payables		8,093	-	8,093
Income tax liabilities		358	-	358
Total current liabilities		8,451	-	8,451
Non-current liabilities				
Financial liabilities - borrowings	e	33,814	(743)	33,071
Trade and other payables		128	-	128
Derivative financial instruments	d & e	-	2,701	2,701
Deferred tax liabilities	f	7,630	(7,628)	2
Total non-current liabilities		41,572	(5,670)	35,902
Total liabilities		50,023	(5,670)	44,353
Total equity and liabilities		99,267	(67,042)	32,225

Notes *(continued)*

35 Transition to IFRS *(continued)*

Reconciliation of profit for 12 months ended 31 December 2015 - Group

	Note	FRS 102 £000	Effect of transition to Adopted IFRSs £000	Adopted IFRSs £000
Revenue	f	20,060	18,337	38,397
Operating expenses				
Before exceptional costs	a & b	(17,105)	(19,905)	(37,010)
Amortisation of intangible assets	c & f	(4,648)	4,648	-
Total operating expenses		(21,753)	(15,257)	(37,010)
Other operating income		71	12	83
Group operating (loss) / profit		(1,622)	3,092	1,470
Finance income	e	23	378	401
Finance costs	e	(1,587)	(806)	(2,393)
Loss before taxation		(3,186)	2,664	(522)
Taxation		921	(1,072)	(151)
Loss for the financial period		(2,265)	1,592	(673)
Profit or loss attributable to				
Owners of the Company		(2,338)	1,665	(673)
Non-controlling interests		73	(73)	-
Total profit or (loss)		(2,265)	1,592	(673)

Notes to the reconciliation of equity and reconciliation of profit - Group

(a) Under Financial Reporting Standard ("FRS") 102, the accounting policy was to expense the development work on intangible software assets. Under Adopted IFRSs the costs meet the relevant criteria to be capitalised. Intangible assets of £502,000 have been recognised in 2015, with a corresponding increase in profits and retained earnings.

(b) Under FRS 102, the accounting policy was to capitalise the £234,000 costs associated with the Simply Biz Limited business combination incurred in 2015. Under Adopted IFRSs the costs have been expensed to the statement of profit or loss.

(c) Under FRS 102, the accounting policy was to amortise goodwill on business combinations over a period of 10 years. Under Adopted IFRSs goodwill is not amortised but is tested annually for impairment. No impairment is required. The amortisation charged under FRS 102 has been reversed with an increase of £2,257,000 to goodwill being recognised, with a corresponding increase in profits and retained earnings.

(d) Under IFRS the put and call option in respect of the shares in Staffcare Limited not owned by the Group have been measured at the present value of the exercise price and recognised as a financial instrument. As the instrument existed on the acquired balance sheet of Simply Biz Limited, the corresponding impact is to decrease other reserves by £1,760,000.

(e) On transition to IFRS the fair value of the share warrant of £800,000 has been separately identified from the loan. Subsequent movements in the fair value of the warrant have been taken to the P&L, along with an implied interest charge on the loan.

Notes *(continued)*

35 Transition to IFRS *(continued)*

(f) Under IFRS, the combined entity has been presented as a continuance of the Simply Biz Limited group by applying the principles of reverse acquisition accounting, as described in more detail in note 27.

(g) The Group previously recorded the employee benefit trust as an investment. An adjustment has been made to remove this investment with corresponding impact in equity at 1 January 2015.

Statement of Financial Position reconciliation as at 31 December 2015 - Company

	Note	*FRS 102* *£000*	*Effect of transition to Adopted IFRSs* *£000*	*Adopted IFRSs* *£000*
Non-current assets				
Investments	a	66,897	(234)	66,663
Total non-current assets		66,897	(234)	66,663
Current assets				
Trade and other receivables		19,463	-	19,463
Cash and cash equivalents- unrestricted		10	-	10
Total current assets		19,473	-	19,473
Total assets		86,370	(234)	86,136
Equity and liabilities				
Equity attributable to the owners of the Company				
Share capital		10	-	10
Share premium account		50,852	-	50,852
Retained earnings	a	1,357	(59)	1,298
Total equity		52,219	(59)	52,160
Liabilities				
Current liabilities				
Trade and other payables		337	-	337
Total current liabilities		337	-	337
Non-current liabilities				
Financial liabilities - borrowings	b	33,814	(743)	33,071
Derivative financial instrument	b	-	568	568
Total non-current liabilities		33,814	(175)	33,639
Total liabilities		34,151	(175)	33,976
Total equity and liabilities		86,370	(234)	86,136

Notes to the reconciliation of equity and reconciliation of profit - Company

(a) Under FRS 102, the accounting policy was to capitalise the costs associated with the Simply Biz Limited business combinations. Under Adopted IFRSs the costs have been expensed to the statement of profit or loss.

(b) On transition to IFRS the fair value of the share warrant has been separately identified from the loan. Subsequent movements in the fair value of the warrant have been taken to the P&L, along with an implied interest charge on the loan.