

Zest Technology Limited

**Strategic report, Directors' report and
financial statements**

Registered number 05104223

31 December 2019



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Company information

Directors	RA Sieber ML Timmins NM Stevens
Registered office	Leatherhead House Station Road Leatherhead Surrey KT22 7FG
Registered number	05104223 (England and Wales)
Auditor	KPMG LLP 1 Sovereign Square Sovereign Street Leeds LS1 4DA
Banker	Barclays Bank plc 82 High Street Epsom KT19 8BH

Strategic report

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

PRINCIPAL ACTIVITIES

The company is a subsidiary of the SimplyBiz Group plc, which is the leading provider of a wide range of compliance and data driven services to the UK insurance and financial community.

The principal activity of the Company in the year under review was the provision of employee benefits and engagement technology to customers and partners, primarily in the UK.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

In the accounts to 31 December 2018 we stated that we planned to continue to invest in our technology in 2019 in order to extend our technology leadership and continue to expand our software to appeal to an increasing range of clients and partners, offering them a unique and powerful solution to employee engagement, attraction and retention.

In line with this objective, 43% of revenue was reinvested into software development and the creation of further ground breaking functionality including the addition of global capabilities to the platform as well as the delivery of new modules that allow our licensing partners to further enhance their service to their clients using our technology.

Our financial strategy is to build up our long-term, predictable recurring licence revenue stream which includes completing the move away from a supplier of lower margin bespoke software services to a best of breed SaaS cloud based software provider, in order to deliver sustainable, profitable revenue growth. The 2019 revenues of £3.6m reflect the final stage of this transformation and the completion of the client transitions from the previous platform.

Our three-way distribution strategy is fundamental to building up this licence revenue stream. In this context I am pleased to announce the award of a further major licensee contracts from Howden, a leading international insurance broker as well as the addition of three top tier resellers to our distribution network. With the Zest brand becoming increasingly well regarded, our direct sales have also shown strong results with major companies such as Taylor Wimpey selecting Zest, underlining our emerging leadership in the employee benefits market. This was reinforced by our WSB award for the Best Use of Technology for Benefits, demonstrating the impact of our sector investment.

We will continue to invest in our technology in 2020. By continuing our strategy of focussing on maintaining our reputation as the leading, state of the art software platform provider, we can deliver the ideal proposition for each channel to the workplace market. For our major licensees, looking for a white label solution to support their market propositions, Zest is the perfect fit, enabling them to promote a leading-edge solution under their own brand, confident in always being able to rely on the pre-eminent technology backed by world class service.

For our value-added resellers across leading corporate advisers, employee benefit consultants, product providers and other financial services groups, we will continue to provide them with a ground-breaking software platform that enables them to offer a total solution to the employee benefits workplace market based on the best technology.

For our direct clients, we have continued to achieve major direct sales where organisations are seeking best of breed technology solutions. Zest's ability to quickly and easily deal with any benefits program, however complex and to work on any device, anywhere, allows our clients to deliver their desired benefits program without compromise and to engage with the increasing requirement of remote working and a distributed workforce.

We are moving into a period of growth and adjustment in the employee benefits and engagement market, driven largely by technology capabilities. We believe that the initiatives we have in place positions our business strongly to take advantage of these changes and to deliver new and unique propositions. In 2020 we are planning to add major new features that offer advanced engagement and analytical capabilities in line with market direction, as well as launching our new Auto Enrolment platform and extending our global capabilities to attract overseas partners.

Strategic report *(continued)*


To support this growth, during 2019 we continued to undergo significant investment in our people and our processes and in developing greater specialist expertise in agile product development and delivery, to the extent that we now have industry leading skills and methodologies across product development, systems implementation and client support. In 2020 we will continue to focus on these areas to ensure that our technology and our service continue to lead the field and provide exceptional value. This will include completing the migration of our cloud based hosting environment to Microsoft Azure, allowing the platform to rapidly scale when required and to be deployed globally.

On behalf of the board:

ML Timmins
Director

Leatherhead House
Station Road
Leatherhead
Surrey
KT22 7FG

22 October 2020



Directors' report

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

Dividends

The directors do not recommend payment of a dividend (2018: £nil).

Directors

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

PJ Hollingdale (resigned 3 July 2019)
RA Sieber
ML Timmins
NM Stevens
SC Turvey (resigned 30 April 2019)

Principal risks and uncertainties

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

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

Going concern

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

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

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

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

Brexit

The Directors continue to monitor the uncertainties surrounding the UK's withdrawal from the EU, and the potential impacts on the business and its stakeholders, with the largest risk believed to be associated impacts that a financial shock could have on the UK economy. The Directors believe that the Company's diversified and solely UK revenue streams, together with regular monitoring of the financial markets, provide some degree of mitigation.

Disclosure of information to auditor

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

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.

Directors' indemnities

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

Auditor

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

By order of the board



ML Timmins
Director

Leatherhead House
Station Road
Leatherhead
Surrey
KT22 7FG

22 October 2020

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

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG LLP

1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA
United Kingdom

Independent Auditor's report to the members of Zest Technology Limited

Opinion

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

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Strategic report and directors' report

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

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Claire Needham (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

1 Sovereign Square

West Yorkshire

LS1 4DA

22 October 2020

Profit and loss account

for the year ended 31 December 2019

	<i>Note</i>	31 December 2019 £	31 December 2018 £
Turnover		3,618,066	5,305,057
Operating expenses		(4,531,089)	(5,326,989)
		<hr/>	<hr/>
Operating loss	3-5	(913,023)	(21,932)
Interest payable	6	(11,766)	-
		<hr/>	<hr/>
Loss on ordinary activities before taxation		(924,789)	(21,932)
Tax on loss on ordinary activities	7	(62,776)	(90,990)
		<hr/>	<hr/>
Loss for the financial year		(987,565)	(112,922)
		<hr/> <hr/>	<hr/> <hr/>

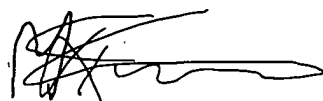
There are no items to be included in Other Comprehensive Income in the current or preceding year.

The notes on pages 12 to 27 form part of these financial statements.

Balance sheet
 at 31 December 2019

	Note	31 December 2019		31 December 2018	
		£	£	£	£
Fixed assets					
Tangible assets	8		34,990		25,919
Lease assets	8,9		1,211,553		
Intangible assets	10		3,316,777		2,657,379
			<u>4,563,320</u>		<u>2,683,298</u>
Current assets					
Debtors	11	2,090,286		2,831,009	
Cash and cash equivalents		249,379		690,455	
		<u>2,339,665</u>		<u>3,521,464</u>	
Creditors: amounts falling due within one year	12	(1,735,046)		(1,295,054)	
Net current assets			<u>604,619</u>		<u>2,226,410</u>
Total assets less current liabilities			<u>5,167,939</u>		<u>4,909,708</u>
Creditors: amounts falling due after one year					
Deferred tax liability	13		(555,021)		(492,245)
Lease liability	9		(1,183,020)		
Net assets			<u>3,429,898</u>		<u>4,417,463</u>
Capital and reserves					
Called up share capital	15		255		255
Share premium			1,588,177		1,588,177
Profit and loss account			1,841,466		2,829,031
Shareholders' funds			<u>3,429,898</u>		<u>4,417,463</u>

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



ML Timmins
 Director

Company registered number: 05104223

The notes on pages 12 to 27 form part of these financial statements.

Statement of Changes in Equity
for the year ended 31 December 2019

	Called up share capital £	Share premium account £	Profit and loss account £	Total equity £
Balance at 1 January 2018	255	1,588,177	2,941,953	4,530,385
Total comprehensive loss for the period				
Loss for the period	-	-	(112,922)	(112,922)
Total comprehensive loss for the period	-	-	(112,922)	(112,922)
Balance at 31 December 2018	255	1,588,177	2,829,031	4,417,463
Balance at 1 January 2019	255	1,588,177	2,829,031	4,417,463
Total comprehensive loss for the period				
Loss for the period	-	-	(987,565)	(987,565)
Total comprehensive loss for the period	-	-	(987,565)	(987,565)
Balance at 31 December 2019	255	1,588,177	1,841,466	3,429,898

The notes on pages 12 to 27 form part of these financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

Zest Technology Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK. The address of its registered office is Leatherhead House, Station Road, Leatherhead, Surrey, KT22 7FG.

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

The Company's ultimate parent undertaking, The SimplyBiz Group plc (formerly The SimplyBiz Group Limited) includes the Company in its consolidated financial statements. The consolidated financial statements of The SimplyBiz Group plc are available to the public and may be obtained from St. Andrews House, St. Andrews Road, Huddersfield, HD1 6NA. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 101 in respect of the following disclosures:

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

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

1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

1.2 Change in accounting policy

The Company has adopted IFRS 16: *Leases* (See note 9). This has been adopted using the modified retrospective method and as a result the comparatives have not been restated and are reported under IAS 17.

1.3 Going concern

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

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

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

Notes (continued)

2 Accounting policies (continued)

1.3 Going concern (continued)

Under these severe but plausible downside scenarios the Group continues to operate within its available facilities and does not incur any covenant breaches.

The position of the company is dependent on The SimplyBiz Group plc not seeking repayment of the amounts currently due to other entities within the group, which at 31 December 2019 amounted to £514,521. The SimplyBiz Group plc has indicated its intention to continue to make available such funds as are needed by the company, and that it does not intend to seek repayment of the amounts due at the balance sheet date, for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

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

1.4 Classification of financial instruments issued by the Company

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

- a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and
- b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

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

1.5 Leases

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

At the inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. IFRS 16.

As a lessee

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

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any lease incentives received.

Notes (continued)

3 Accounting policies (continued)

1.5 Leases (continued)

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

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

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

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

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

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

The Company presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment', current lease liabilities in "creditors: amounts falling due within one year" and non-current lease liabilities as a separate line item in the statement of financial position.

Short-term leases and leases of low-value assets

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

1.6 Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings and trade and other payables.

Trade and other receivables

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

Notes (continued)

4 Accounting policies (continued)

1.6 Non-derivative financial instruments (continued)

Trade and other payables

Trade and other payables are recognised at fair value.

Cash and cash equivalents

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

Amounts owed by / to Group Undertakings (Company only)

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

1.7 Tangible fixed assets

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

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

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

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

- office equipment: 3 years
- fixtures and fittings: 3 years
- Property: 10 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.

1.8 Intangible assets

Research and development

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred.

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Company intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Company 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. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads and capitalised borrowing costs. Other development expenditure is recognised in the profit and loss account as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

Amortisation

Amortisation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life and goodwill are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- Development expenditure: 5 years

Notes (continued)

5 Accounting policies (continued)

1.9 Provisions

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

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

1.10 Revenue recognition

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

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

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

Software licence income and employee benefit software licence and project fees

Revenue from software licence income and fees is recognised over time, in line with the right to access to the software (output method). No significant judgements are made to determine the right of access.

Revenue from software project fees and consulting is recognised on the achievement of specific milestones and performance obligations, reflected in the agreement with the customer. The value of revenue recognised is based on the overall value of the contracts and its performance obligations. The Group has no long-term projects.

Marketing Licencing

Where contracts relate to the provision of marketing collateral, revenue is recognised over the period of the contract, in line with the support provided to the customer and maintenance of the licenced brand (output method).

1.11 Expenses

Interest receivable and Interest payable

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy).

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method.

Notes (continued)

1 Accounting policies (continued)

1.12 Taxation

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

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

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Timing differences are not provided for differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

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

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

1.13 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. 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. There are no significant judgements.

Intangible assets – Capitalised Development Costs

The company business includes a significant element of research and development activity. Under FRS 101 there is a requirement to capitalise and amortise development spend to match costs to expected benefits from projects deemed to be commercially viable. The application of this policy involves the ongoing consideration by management of the forecasted economic benefit from such projects compared to the level of capitalised costs, together with the selection of amortisation periods appropriate to the life of the associated revenues from the product.

Impairment of trade debtors

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

Notes (continued)

2 Changes in significant accounting policies

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

Definition of a lease

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

As a lessee

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

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

Leases classified as operating leases under IAS 17

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

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

The Company has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

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

- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term.
- applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application.
- did not recognise right-of-use assets and liabilities for leases of low value assets

Notes *(continued)*

2 Changes in significant accounting policies *(continued)*

The following table summarises the quantitative impact of adopting IFRS 16 on the Company's financial statements for the year ending 31 December 2019.

Impact of adoption of IFRS 16

	As reported 31 December 2018	Adjustments	Balances at 1 January 2019
Balance sheet			
Lease assets	-	91,229	91,229
Lease liability (current)	-	91,229	91,229
	<hr/>	<hr/>	<hr/>

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

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

	1 January 2019 £000
Operating lease commitments at 31 December 2018 as disclosed under IAS 17	91,229
Discounted using the incremental borrowing rate at 1 January 2018	-
	<hr/>
Lease liabilities recognised as at 1 January 2019	91,229
	<hr/> <hr/>

Notes (continued)

3 Expenses and auditor's remuneration

The operating loss is stated after charging:

	31 December 2019	31 December 2018
	£	£
Research and development expenditure	33,648	161,432
Other operating leases	-	826,228
Depreciation – leased assets	133,006	-
Depreciation – owned assets	22,241	46,138
Amortisation	620,243	133,158
Auditors' remuneration	-	10,000
Auditor's remuneration for non audit work – taxation services	-	6,500
	<u> </u>	<u> </u>

In the current year, auditors remuneration of £5,400 is borne by a fellow group company.

4 Staff numbers and costs

	31 December 2019	31 December 2018
	£	£
Wages and salaries	2,045,972	2,794,827
Social security costs	284,130	297,670
Other pension costs	124,873	131,339
	<u> </u>	<u> </u>
	<u>2,454,975</u>	<u>3,223,836</u>

The average monthly number of employees during the year was as follows:

	31 December 2019	31 December 2018
Sales and administration	54	66
	<u> </u>	<u> </u>

5 Directors' remuneration

	31 December 2019	31 December 2018
	£	£
Directors' remuneration	135,500	135,500
Directors' pension contributions to money purchase schemes	6,253	6,435
	<u> </u>	<u> </u>

Notes *(continued)*

5 Directors remuneration *(continued)*

The number of directors to whom retirement benefits were accruing was as follows:

	31 December 2019	31 December 2018
Money purchase schemes	1	1
	<u> </u>	<u> </u>

Information regarding the highest paid director for the year ended 31 December 2019 is as follows:

	31 December 2019	31 December 2018
	£	£
Emoluments etc.	115,500	115,500
Pension contribution to money purchase schemes	6,253	6,435
	<u> </u>	<u> </u>

The Company was recharged £46,000 with respect to Directors' costs (2018: £nil). This is considered to be equivalent to the amount attributable to the services provided by the directors to the Company.

6 Interest payable

	31 December 2019	31 December 2018
	£	£
Finance charge on lease liability	11,766	-
	<u> </u>	<u> </u>

7 Taxation

Total tax charge recognised in the profit and loss account

	31 December 2019	31 December 2018
	£	£
Current tax		
Current tax on income for the period	115,736	201,038
Adjustments in respect of prior periods	(115,736)	(201,038)
	<u> </u>	<u> </u>
Total current tax	-	-
	<u> </u>	<u> </u>
Deferred tax		
Origination and reversal of timing differences	(62,776)	(90,990)
	<u> </u>	<u> </u>
Total deferred tax (see note 13)	(62,776)	(90,990)
	<u> </u>	<u> </u>
Total tax charge	(62,776)	(90,990)
	<u> </u>	<u> </u>

All tax is recognised in the profit and loss account.

Notes *(continued)*

7 Taxation *(continued)*

Reconciliation of effective tax rate

	31 December 2019	31 December 2018
	£	£
Loss for the year	(987,565)	(112,922)
Total tax credit	62,776	90,990
	<hr/>	<hr/>
Loss before taxation	(924,789)	(21,932)
	<hr/>	<hr/>
Tax using the UK corporation tax rate of 19% (2018: 19%)	(175,710)	(4,167)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	119,352	28,379
Group relief surrendered	297,968	292,194
Capital allowances in excess of depreciation	(4,308)	3,318
Allowable development expenditure	(121,566)	(118,686)
Adjustments to tax charge in respect of prior periods	(115,736)	(201,038)
Deferred tax timing difference	(62,776)	(90,990)
	<hr/>	<hr/>
Total tax credit included in the profit or loss	(62,776)	(90,990)
	<hr/>	<hr/>

Changes affecting the future tax charge

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

Notes (continued)

8 Tangible fixed assets

	Property £	Office equipment £	Fixtures & fittings £	Total £
Cost				
Balance at 1 January 2019	-	167,582	177,304	344,886
Recognition of right-of-use assets on initial application of IFRS 16 (see note 9)	91,299	-	-	91,229
Adjusted balance at 1 January 2019	91,229	167,582	177,304	436,115
Additions	1,253,330	7,708	23,604	1,284,642
Disposals	-	(39,007)	(7,701)	(46,708)
Balance at 31 December 2019	1,344,559	136,283	193,207	1,674,049
Depreciation and impairment				
At 1 January 2019	-	147,590	171,377	318,967
Charge for the year	133,006	15,885	6,356	155,247
Disposals	-	(39,007)	(7,701)	(46,708)
Balance at 31 December 2019	133,006	124,468	170,032	427,506
Net book value				
At 31 December 2018	-	19,992	5,927	25,919
At 31 December 2019	1,211,553	11,815	23,175	1,246,543

At 31 December 2019, net book values comprise:

	Property £	Office equipment £	Fixtures & fittings £	Total £
Tangible assets	-	11,815	23,175	34,990
Leased assets	1,211,553	-	-	1,211,553

Notes (continued)

9 Leases

Amounts recognised in the statement of financial position

The balance sheet shows the following amounts relating to leases

Right-of-use assets

Right-of-use assets related to lease properties that do not meet the definition of investment properties are presented as property, plant and equipment (see note 8):

	Property £	Office equipment £	Fixtures & fittings £	Total £
Balance at 1 January 2019	91,299	-	-	92,299
Additions to right-of-use assets	1,253,330	-	-	1,253,330
Depreciation charge for the year	(133,006)	-	-	(133,006)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Balance at 31 December 2019	1,211,553	-	-	1,211,553
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Lease Liabilities

The following lease liabilities existed at 31 December:

	31 December 2019 £
Current liability (note 12)	82,076
Non-current liability	1,183,020
	<u> </u>
Balance at 31 December 2019	1,265,096
	<u> </u>

Changes in the lease liability from financing activities:

	Lease liability £
Balance at 1 January 2019	91,229
Other changes	
Interest expense	11,766
New leases	1,253,330
Lease payments	(91,229)
	<u> </u>
Balance at 31 December 2019	1,265,096
	<u> </u>

Notes (continued)

9 Leases (continued)

Amounts recognised in profit or loss

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

	£
Leases under IFRS 16 (2019)	
Interest expense on lease liabilities	11,766
Depreciation charge for the year	<u>133,006</u>

10 Intangible Assets

	Development expenditure £	Total £
<i>Cost</i>		
At 1 January 2019	2,790,536	2,790,536
Additions	1,279,641	1,279,641
	<u> </u>	<u> </u>
At 31 December 2019	4,070,177	4,070,177
	<u> </u>	<u> </u>
<i>Amortisation</i>		
At 1 January 2019	133,157	133,157
Charge for year	620,243	620,243
	<u> </u>	<u> </u>
At 31 December 2019	753,400	753,400
	<u> </u>	<u> </u>
<i>Net book value</i>		
At 31 December 2019	<u>3,316,777</u>	<u>3,316,777</u>
	<u> </u>	<u> </u>
At 31 December 2018	2,657,379	2,657,379
	<u> </u>	<u> </u>

Notes (continued)

11 Debtors

	31 December 2019 £	31 December 2018 £
Amounts falling due within one year:		
Trade debtors	1,407,884	816,407
Amounts owed by group undertakings	-	1,339,715
Other debtors	100	100
Prepayment and accrued income	682,302	674,787
	<u>2,090,286</u>	<u>2,831,009</u>

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

12 Creditors: amounts falling due within one year

	31 December 2019 £	31 December 2018 £
Trade creditors	344,703	369,733
Social security and other taxes	229,328	243,324
Amounts owed to group undertakings	514,521	-
Other creditors	21,791	21,216
Lease liability	82,076	-
Accruals	171,896	290,051
Deferred income	370,731	370,730
	<u>1,735,046</u>	<u>1,295,054</u>

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

13 Deferred tax, assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	31 December 2019 £	31 December 2018 £	31 December 2019 £	31 December 2018 £	31 December 2019 £	31 December 2018 £
Accelerated capital allowances	5,127	9,435	-	-	5,127	9,435
Other short term timing differences	3,704	3,889	(563,852)	(505,569)	(560,148)	(501,680)
	<u>8,831</u>	<u>13,324</u>	<u>(563,852)</u>	<u>(505,569)</u>	<u>(555,021)</u>	<u>(492,245)</u>

Notes *(continued)*

14 Employee benefits

The Company provides a defined contribution scheme for its employees. The amounts recognised as an expense in the period for scheme was £124,873 (2018: £131,339). Included within other creditors are pension costs of £21,791 (2018: £21,216) which were outstanding at the year end.

15 Called up share capital

Allotted, issued and fully paid:

Number	Class:	Nominal value:	31 December 2019 £	31 December 2018 £
255,030	Ordinary	£0.001	<u>255</u>	<u>255</u>

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

16 Contingencies

The company has provided a guarantee against the bank loans of The SimplyBiz Group plc, the ultimate parent company. The total amount outstanding at 31 December 2019 amounted to £38,00,000 (2018: £7,500,000).

17 Related party disclosures

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

18 Ultimate parent company and controlling party

The immediate parent undertaking is Simply Biz Limited.

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

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