RNS Number : 5201F
SimplyBiz Group PLC (The)
10 March 2020

10 March 2020

The SimplyBiz Group plc
("SimplyBiz", the "Company" or the "Group")

Full year results for the twelve months ended 31 December 2019

Strong growth in revenue, adjusted EBITDA and adjusted earnings per share

SimplyBiz (AIM: SBIZ), a leading independent provider of compliance and business services to financial advisers and financial institutions in the UK, today announces its audited results for the twelve months ended 31 December 2019.

Financial highlights:

- Group Revenue **up 24%** to £62.8m (FY18: £50.7m)
- Operating profit **increased by £5.2m** to £12.0m
- Adjusted EBITDA*[1] **up 49%** to £17.0m (FY18: £11.4m)
- Adjusted EBITDA*[1] margin **increased to 27.1%** from 22.5%
- Adjusted earnings per share (EPS) *[1] **increased by 15%** to 13.4p
- Net debt of £27.0m at 31 December 2019, with a comfortable net debt to adjusted EBITDA ratio of less than 1.6 times.
- Final dividend proposed of 2.85p per share, resulting in a full year dividend of 4.26p per share.

Operational highlights:

- Successful strategic acquisition of Defaqto
- Strong progress on software development and deployment
- Strong growth in value per intermediary customer
- Strong increase in mortgage completions
- Strong cost control maintaining strong operating margin

Matt Timmins, Joint Chief Executive Officer of The SimplyBiz Group, commented:

"We are delighted to have successfully completed the strategic acquisition and rapid integration of Defaqto and welcome these new colleagues into the SimplyBiz Group. This acquisition instantly expands the Group's customer base by over 50% and materially extended our software and service platform across all key sectors. The acquisition enhances the Group's strong and sustainable profit margins."

"The Board is confident and optimistic about 2020. We are guiding to marginally lower growth in revenues and EBITDA, particularly in employee benefits and valuations, with operational gearing flowing through to earnings. We expect both headline and underlying growth to remain strong."

*[1] *Adjusted EBITDA is earnings before interest, tax, depreciation, amortisation of intangible assets arising on acquisition and operating exceptional costs. Adjusted profit before and profit after tax exclude operating exceptional costs, exceptional finance charges and amortisation of intangible assets arising on acquisition. In the current year the measures have also been adjusted for the impact of adopting IFRS 16. A reconciliation of these metrics to GAAP measures is provided in note 5. Adjusted earnings per share is calculated based on adjusted profit after tax, as shown in note 9.*

*[2] *Organic growth is defined as the year on year increase in a financial metric, excluding the impact of acquisitions.*

For further information please contact:

SimplyBiz	via Instinctif Partners

Matt Timmins (Joint Chief Executive Officer)

Neil Stevens (Joint Chief Executive Officer)

Gareth Hague (Group Finance Director)

Zeus Capital (Nominated Adviser and Joint Broker) +44 (0) 20 3829 5000

Martin Green

Andrew Jones

Dan Bate

Peel Hunt (Joint Broker) +44 (0) 20 7418 8900

Guy Wiehahn

Andrew Buchanan

Rishi Shah

Instinctif Partners +44 (0)20 7457 2020 / SimplyBiz@instinctif.com

Catherine Wickman

Lewis Hill

Notes to editors

With over 3,700 member firms in the UK, SimplyBiz is a leading independent provider of compliance and business services to financial advisers, including directly authorised IFAs, directly authorised mortgage advisers, workplace consultants and directly authorised consumer credit brokers. It also provides marketing and promotion, product panelling and co-manufacturing services to more than 135 financial institutions, through access to its membership.

Defaqto is a financial services technology business operating a fintech platform for over 9,500 users, across 3,300 firms and providing independent ratings of 21,000 financial products and funds that are licensed by 250 brands.

For more information, please visit: www.simplybizgroup.co.uk/

Analyst presentation
An analyst briefing is being held at 10.30am on 10 March 2020 at the offices of Instinctif Partners, 65 Gresham Street, London, EC2V 7NQ. To register your attendance please contact SimplyBiz@instinctif.com.

JOINT CHIEF EXECUTIVES' STATEMENT

The SimplyBiz Group is a leading independent provider of support services and software to financial advisers and financial institutions. The Group serves over 5,600 intermediary firms and more than 350 financial institutions in the UK.

The Group delivers a platform for intermediary firms to run a compliant and successful business and enables product providers to reach the market more effectively. Our unique product data and market insights inform the purchase decisions of financial advisers and consumers and we enable product providers to design and optimise higher quality products for their markets.

Overview

2019 was another significant year for SimplyBiz. The strategic acquisition of Defaqto, completed in March, instantly expanded the Group's customer base by over 50% and materially extended our software and service platform across all key sectors. Defaqto has been a leading research and fintech provider for over 20 years and its brand is well known and respected amongst financial advisers, product providers and consumers. We are delighted to welcome these new colleagues into the SimplyBiz Group.

The Defaqto fintech platform is used by over 5,800 advisers from 1,900 intermediary firms who were not previously customers of the group and provides independent expert ratings of 21,000 financial products and funds. These product ratings are licensed by 250 financial services brands to help them communicate product quality to financial advisers and consumers. Defaqto has a proprietary, scalable and flexible digital platform. Its rich database of financial products and unique market insights assist with product design and inform financial adviser and end consumer purchase decisions.

The acquisition of Defaqto was completed through a combination of debt and equity. The Group remains confident of its ability to repay its borrowings as planned.

The strategic combination of SimplyBiz and Defaqto creates a single fintech and support services Group, which now benefits from a significantly increased customer base and an extension of the number and range of distribution channels. The acquisition has already enhanced the Group's already strong and sustainable profit margins.

The Group has also continued to invest in its people and services by developing its compliance and technical teams to serve an increasingly complex and regulated Intermediary Services market, and to extend the range of support for its Distribution Channels.

Revenue grew by 24% to £62.8 million, reflecting a first time £11.8 million contribution from the acquisition of Defaqto since the date of acquisition on 21 March 2019, and £0.3 million (1%) of organic growth*[2]. Strong growth in our core business was offset by the continuing softness in employee benefits and a slowdown of transactions in our valuations business.

Adjusted EBITDA margin increased to a strong and stable 27.1% from 22.5% in the prior year.

Divisional Performance

Following the acquisition of Defaqto the Group now operates as three divisions: Intermediary Services, Distribution Channels and Research & Fintech.

Intermediary Services Performance

The Intermediary Services division provides business services and software to over 3,700 individual intermediary firms through a comprehensive membership model. The Group's members, which includes financial advisers, mortgage advisers and consumer credit broker firms, conduct regulated activities that require that they are authorised and regulated by the FCA. The member firms pay a monthly subscription fee for a core package of services and software, and then purchase additional services and software licenses to suit their individual business needs. Revenues in this division grew to £24.2 million, (£23.3 million in 2018) and contributed 38% of Group revenue in the period. Adjusted EBITDA also grew to £5.6 million (£5.2 million in 2018).

Member Firms as at 31 December 2019 were 3,728 (3,726 as at 31 December 2018) and revenue from membership fees increased 9.4% to £10.3 million. Average income per member increased, primarily as a result of better penetration of services and bundled software to existing members, and by the launch of our '*Signature*' proposition to support higher value and larger member firms. With an increase in regulation, including the preparation for the first stage of the Senior Managers and Certification Regime (SM&CR), the Group has seen higher member engagement in its additional services. Additional services income increased strongly by 16% to £5.2 million.

The Group has continued to invest in software development following the launch of Centra, developed on Defaqto's software platform, in March 2018. Centra delivers a highly efficient 'one-stop-shop' for financial planning that has been designed in consultation with our clients. The ongoing adoption and development of Centra delivers a key technology platform from which to launch future services. Furthermore, its integration to our 3rd party vendor 'back-office' software has helped grow software revenues strongly by 22% during the year, to £5.1 million.

The Group has invested in developing its SaaS employee benefits platform, Zest, over the previous 3 years. While it has secured several long-term contracts from well-known employer brands in the year, the revenue reduction from this non-core business has continued from £5.3m in 2018 to £3.6m in 2019.

Distributions Channels

The Distribution Channels division continues to provide a highly effective and efficient distribution channel for over 135 financial institutions to reach an otherwise fragmented intermediary sector. The member firms that the Group serves rely on SimplyBiz to provide them with relevant and timely information about product providers' services and products across the market, collectively informing and facilitating better outcomes for their businesses and for their clients. The product providers achieve greater efficiency from our activities in this area and are better able to comply with their regulatory requirements. Revenues in this division totalled £26.8 million (£27.4 million in 2018) and contributed 43% of Group revenue in the period.

The Group has continued to build on its extensive events programme to cater for the expanding needs of both our intermediary and product provider customers. As well as delivering a significant programme of events and seminars in the period, the Group also provided a broad range of digital and traditional materials to deliver product provider brand and product communications to its members. The Group's marketing services present product providers with access to over 25% of the total retail financial service marketplace. Income in the period increased by 5% to £7.2 million, from £6.9 million in FY18. During the year the Group also launched its outsourced distribution service, which provides product providers with an additional efficient distribution contact channel for targeted marketing.

SimplyBiz Mortgages is the UK's third largest mortgage club, with over 1,600 mortgage members benefitting from access to a dedicated support service and preferred products from key lenders. Despite overall market conditions, Mortgage Services revenues increased by 4% to £6.8 million, as a result of higher levels of lending through the Group's mortgage club. Mortgage completions increased to over £16 billion.

Growth in product provider and mortgage services income was offset by a 14% reduction in income from property valuations, due to a UK wide slowdown in the number of housing transactions. The overall impact on EBITDA was limited to less than £0.1m due to our flexible business operating model.

The Group's investment business, Verbatim, saw revenues grow to £2.3m from £2.2m (up 7%), in the year.

Research & Fintech performance

Revenues in this division were £11.8 million and Adjusted EBITDA was £4.9 million, wholly reflecting the strategic acquisition of Defaqto on 21 March 2019. There have been no allocations of other Group revenues or costs to this segment in the year.

The integration of Defaqto into the Group has been rapid and successful, with strong alignment of culture and objectives achieved early in the process. The strength of the customer relationships and the widespread ethos of delivering excellent service quality in Defaqto are highly aligned with that of the wider Group. Cross-business working has been established, resulting in the design and development of new software products and an exciting expanded suite of market-insight services ready to take to market.

The financial performance of Defaqto in the period since acquisition was strong and fully met our expectations.

The Defaqto fintech platform is used by over 9,500 users and provides independent ratings of 21,000 financial products and funds, licensed by 250 financial services brands. Defaqto has a proprietary, scalable and flexible digital platform, supporting a rich database of financial products and providing unique information and insights to aid consumer and adviser purchase decisions.

The core strength of Defaqto lies in both its large dual customer-base and its management team. The SimplyBiz Group had previously worked closely with Defaqto during the 18 months over which it developed its Centra software solution, which now serves to bring unique and valuable insight to the market.

Market Overview

Intermediary firms continue to grow revenue as the profession adapts and innovates to meet increasing customer demand and the need for a broader range of financial services. Client numbers are strong for the sector as a whole and data from the Office for Budget Responsibility ('OBR') suggests a period of rising saving ratios is likely.

Regulation continues to advance and 2020 will see the planned introduction of the 5th Money Laundering Directive and the requirements of SM&CR introduced for all solo-FCA regulated firms. The key challenges for financial advisers are likely to centre on the need to develop their advice and business models to meet more complex client needs efficiently, while managing continued regulatory changes in their business. Delays in processing new applications at the Financial Conduct Authority and a more difficult professional indemnity insurance market has increased the time and added complexity to our recruitment of new member firms from networks, but this remains healthy.

Product providers are responding as the regulator and the market continues to put downwards pressure on fees. We have seen, and anticipate a continuation of, consolidation in the product provider, asset manager and platform sectors of the market.

Market competition has generally increased in 2019. Our platform has expanded significantly
and the Group will serve both its direct members, as before, while also serving other financial intermediaries in whatever their chosen business structure through our provision of fintech software.

Strategic Priorities

The significantly increased customer scale and extension of our service and software platform achieved in 2019 places greater emphasis on increasing value from existing customers and serving new customers with our market leading fintech services.

Our unique product data and market insights will provide a valuable service for Product Providers to comply with regulations and be more effective in the market.

The breadth of the Group's core membership and fintech customers will in turn enable the expansion of its Distribution Channels.

Outlook

The Board is confident and optimistic about 2020. We are guiding to marginally lower growth in revenues and EBITDA, particularly in employee benefits and valuations. Operational gearing will flow through to earnings, partly mitigated by a reduction in the effective tax rate. No guidance is being provided other than for 2020.

Recognising that external challenges facing all companies at this moment are still developing, the Board expects both headline and underlying growth to remain strong.

Neil Stevens and Matt Timmins
Joint Chief Executive Officers
The SimplyBiz Group

Financial Results:

	Dec-19	Dec-18
Group Revenue	62,774	50,686
Expenses	(45,046)	(39,267)
Impact of IFRS 16 accounting standard *	(724)	-
Underlying operating expenses	(45,770)	(39,267)
Adjusted EBITDA	**17,004**	**11,419**
Adjusted EBITDA margin %	27.1%	22.5%
Depreciation	(286)	(256)
Amortisation of development expenditure and software	(633)	(133)
Adjusted EBIT	**16,085**	**11,030**
Depreciation of lease asset	(707)	-
Operating costs of an exceptional nature	(2,009)	(3,829)
Impact of IFRS 16 accounting standard *	724	-
Share option charges	(512)	(320)
Amortisation of other intangible assets	(1,579)	(124)
Net finance costs	(1,158)	(2,523)
Profit before tax	**10,844**	**4,234**
Taxation	(2,218)	(1,385)
Profit after tax	**8,626**	**2,849**
Adjusted earnings per share (EPS)	13.40p	11.62p

* Adoption of IFRS 16 *Leases* using the modified retrospective approach resulted in a reduction in lease costs recognised in underlying expenses, offset by depreciation of the lease asset and finance charges on the lease liability. To provide comparable Adjusted EBITDA to 2018, the beneficial impact has been removed in the current year in the Adjusted EBITDA calculation.

Revenue

Revenue grew by 24% to £62.8m, reflecting an £11.8m first time contribution from the acquisition of Defaqto from 21 March 2019 and £0.3m (1%) of organic growth. Organic growth is calculated as the year on year increase in revenue, excluding the impact of the Defaqto acquisition.

The headline organic growth rate of 1% includes strong growth in our core revenue streams for membership fees (£0.9m, 9%), additional membership services (£0.7m, 16%) and software licence income (£0.9m, 22%). This growth is offset by a £1.3m (14%) reduction in valuation services revenues, due to lower volumes in line with a subdued housing market, and a £1.7m (32%) reduction in Employee Benefit Software revenues, largely due to the re-platforming of that business.

Operating profit and adjusted EBITDA margin

Operating profit increased by 78% to £12.0m, after exceptional charges of £2.0m (2018: £3.8m).

Adjusted EBITDA margin is calculated as adjusted EBITDA (as defined in note 5), divided by revenue. Whilst adjusted EBITDA is not a statutory measure, the Board believe it is a highly useful measure of the underlying trade and operations of the Group, excluding one-off and non-cash items.

Adjusted EBITDA margin increased to 27.1% (2018: 22.5%) largely as a result of the stronger margin revenues from Defaqto. In the organic business, margin grew from 22.5% in 2018 to 23.8%, as the Group was able to offset revenue reductions through strong and effective cost management, achieving good growth in operating margins across the core business.

Operating costs of an exceptional nature

Exceptional operating costs include £1.6m of professional fees in respect of the acquisition of Defaqto and £0.4m of termination costs. In addition, £0.9m of costs in respect of the equity raised for the transaction, which had been recognised within operating costs of an exceptional nature in the 2019 half year results, have now been charged to the Share Premium account with the revised treatment deemed to be more appropriate.

Share-based payments

Share-based payment charges of £0.5 million (2018: £0.3m) have been recognised in respect of the options issued on in the prior year, as well as the additional options issued in 2019. The increase in the charge reflects the full period of issue in 2019 and additional schemes issued in H2 2018 and 2019.

Financial income and expense

Finance expense in FY18 included one-off charges totalling £1.6 million on early settlement of retired debt and share warrants.

Taxation

The tax charge for the year includes the beneficial impact of research and development claims submitted in respect of FY18, offset by non-deductible costs incurred during the acquisition of Defaqto.

Earnings per share ('EPS')

Earnings per share has been calculated based on the weighted average number of shares in issue in both periods. The diluted weighted average number of shares, included in the diluted EPS calculations (note 9) have increased in 2019 as a result of the required equity hurdle in the Management Incentive Plan (note 14) being exceeded.

Dividends

The Board declared and paid an interim dividend of 1.41 pence per share in respect of FY19, and is proposing a final dividend of 2.85 pence per share. The full year dividend of 4.26 pence per share, compares to a dividend of 3.03 pence per share for the 9 months to 31 December 2018, post IPO. The final dividend will be paid on 4th May 2020, to shareholders on the register on 20th March 2020.

The Group will continue to apply its policy of paying one-third of adjusted profit after tax as a full year dividend to shareholders. Going forward the Group will pay its interim dividend equal to one third of the prior year adjusted profit after tax, with the final dividend balancing the total amount paid to one third of the current year adjusted profit after tax.

Cash flow and closing net cash

At 31 December 2019 the Group had net debt of £27.0m, as compared to £6.4m of net cash at 31 December 2018, prior to the acquisition of Defaqto in March 2019. Net debt is calculated as borrowings less cash and cash equivalents and amortised arrangement fees. Since the acquisition of Defaqto, the Group has repaid £7.0m of its Revolving Credit Facility, and finished the year with a comfortable adjusted EBITDA to net debt leverage ratio of 1.6 times.

Free cash flow conversion was 48% for 2019, vs 71% in 2018. Whilst free cash flow in the organic business remained strong, it was lower in 2019 as the cash profile in Defaqto is weighted higher to the first quarter of the year, which was prior to the acquisition.

Free cash flow conversion is calculated as adjusted EBITDA, less working capital movements, CAPEX, development expenditure, corporation tax paid and interest, as a percentage of Adjusted EBITDA. A reconciliation of free cash flow is provided in note 5.

Accounting policies

The Group's consolidated financial information has been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted in the EU. During the year, the Group adopted IFRS 16 *Leases,* using the modified retrospective approach, as explained further on pages 15 to 17.

Going Concern
On the basis of the Group's current and forecast profitability and cash flows, and the availability of committed funding, the Directors consider and have concluded that the Group will have adequate resources to continue in operational existence for the foreseeable future. On this basis they continue to adopt a going concern basis in the preparation of the financial statements.

Gareth Hague
Group Finance Director

Consolidated statement of profit or loss and other comprehensive income

for the year ended 31 December 2019

	Note	**Year ended 31 December 2019 £000**	Year ended 31 December 2018 £000
Revenue	6	**62,774**	50,686
Operating expenses	*7*	**(49,193)**	(43,805)
Amortisation of other intangible assets	*10*	**(1,579)**	(124)
Operating profit		**12,002**	6,757
Finance income	*8*	**123**	79
Finance costs	*8*	**(1,281)**	(2,602)
Profit before taxation		**10,844**	4,234
Taxation		**(2,218)**	(1,385)
Profit for the financial period		**8,626**	2,849
Profit attributable to shareholders:			
Owners of the Company		**8,547**	2,849
Non-controlling interests		**79**	-
		8,626	2,849
Earnings per share - basic	*9*	**9.25p**	3.96p
Earnings per share - diluted	*9*	**8.96p**	3.94p

There are no items to be included in other comprehensive income in the current year or preceding year.

Consolidated Statement of Financial Position

As at 31 December 2019

31 December *31 December*

	Note	2019 £000	2018 £000
Assets			
Non-current assets			
Property, plant & equipment		**454**	375
Lease asset		**2,653**	-
Intangible assets and goodwill	*10*	**106,210**	23,137
Deferred tax asset, non-current		**1,262**	61
Total non-current assets		**110,579**	23,573
Current assets			
Trade and other receivables		**11,774**	8,712
Deferred tax asset		**194**	55
Cash and cash equivalents		**10,666**	13,291
Cash and cash equivalents - restricted		**-**	545
Total current assets		**22,634**	22,603
Total assets		**133,213**	46,176
Equity and liabilities			
Equity			
Share capital	*12*	**968**	765
Share premium account	*12*	**64,755**	36,791
Other reserves	*13*	**(51,993)**	(61,067)
Retained earnings		**55,695**	50,081
Equity attributable to the owners of the Company		**69,425**	26,570
Non-controlling interest		**79**	-
Total equity		**69,504**	26,570
Liabilities			
Current liabilities			
Loans and borrowings	*11*	**-**	7,433
Trade and other payables		**17,195**	10,254
Lease liabilities, current		**540**	-
Current tax liabilities		**651**	496
Total current liabilities		**18,386**	18,183
Non-current liabilities			
Loans and borrowings	*11*	**37,685**	-
Trade and other payables		**-**	725
Lease liabilities, non-current		**2,176**	-
Deferred tax liabilities		**5,462**	698
Total non-current liabilities		**45,323**	1,423
Total liabilities		**63,709**	19,606
Total equity and liabilities		**133,213**	46,176

Consolidated statement of changes in equity

for the year ended 31 December 2019

	Share capital	*Share premium*	*Other reserves*	*Non-controlling interest*	*Retained earnings*	*Total equity*

	£000	£000	£000	£000	£000	£000
Balance at 1 January 2018	10	52,544	(61,387)	-	2,982	(5,851)
Total comprehensive income for year	-	-	-	-	2,849	2,849
Transactions with owners, recorded directly in equity						
Issue of shares	176	29,826	-	-	-	30,002
Bonus issue of shares	579	(579)	-	-	-	-
Transfer to retained earnings	-	(45,000)	-	-	45,000	-
Dividends	-	-	-	-	(750)	(750)
Share option charge	-	-	320	-	-	320
Total contributions by and distribution to owners	755	(15,753)	320	-	44,250	29,572
Balance at 31 December 2018	765	36,791	(61,067)	-	50,081	26,570
Total comprehensive income for year	-	-	-	79	8,547	8,626
Transactions with owners, recorded directly in equity						
Issue of shares	203	28,909	7,449	-	-	36,561
Cost of share issue	-	(945)	-	-	-	(945)
Dividends	-	-	-	-	(2,933)	(2,933)
Deferred tax on share options exceeding profit and loss charge	-	-	1,113	-	-	1,113
Share option charge	-	-	512	-	-	512
Total contributions by and distribution to owners	203	27,964	9,074	-	(2,933)	34,308
Balance at 31 December 2019	**968**	**64,755**	**(51,993)**	**79**	**55,695**	**69,504**

Consolidated statement of cash flows

for the year ended 31 December 2019

	Year ended 31 December 2019 £000	Year ended 31 December 2018 £000
Net cash generated from operating activities (note 15)	**10,388**	6,033
Cash flows from investing activities		
Finance income	**123**	79
Purchase of property, plant and equipment	**(208)**	(109)
Proceeds from sale of property, plant and equipment	**58**	-
Development expenditure	**(2,354)**	(657)
Acquisitions, net of cash received	**(38,864)**	(2,534)
Net cash used in investing activities	**(41,245)**	(3,221)
Cash flows from financing activities		
Finance costs	**(1,104)**	(1,078)
Settlement of share warrant	**-**	(1,193)
Loan repayments made	**(31,676)**	(37,593)
Drawdown of loans	**37,500**	10,093
Transaction costs related to borrowing	**(420)**	-

Payment of lease liability	**(677)**	-
Payment of deferred and other consideration	**(1,130)**	-
Issue of share capital	**29,072**	30,002
Cost of issuing share capital	**(945)**	-
Dividends paid	**(2,933)**	(750)
Net cash generated from / (used in) financing activities	**27,687**	(519)
Net (decrease) / increase in cash and cash equivalents	**(3,170)**	2,293
Cash and cash equivalents at start of year	**13,836**	11,543
Cash and cash equivalents at end of year	**10,666**	13,836

Operating costs of an exceptional nature, as per note 7, are included in net cash generated from operating activities. Payment of deferred and other consideration include £725,000 of deferred consideration payable for the acquisition of Landmark Surveyors Limited and £405,000 in respect of the remaining share purchase for Zest Technology Limited. The deferred and other consideration is considered financing in nature given the time elapsed since the acquisition.

NOTES TO THE INTERIM FINANCIAL INFORMATION

1. General information and basis of preparation

The consolidated financial information has been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRSs), as adopted by the European Union.

The financial information for the period ended 31 December 2019 and the period ended 31 December 2018 does not constitute the Group's statutory accounts for those periods. Statutory accounts for the period ended 31 December 2018 have been delivered to the Registrar of Companies. The statutory accounts for the period ended 31 December 2019 will be delivered to the Registrar of Companies following the Group's Annual General Meeting.

The auditors' reports on the accounts for 31 December 2019 and 31 December 2018 were unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

2. Going concern

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 £4,248,000 and net assets of £69,504,000 as at 31 December 2019 (31 December 2018: net current assets of £4,420,000 and net assets of £26,570,000).

On the basis of the Group's current and forecast profitability and cash flows, 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.

3. Accounting policies

The accounting policies adopted are consistent with those used in preparing the consolidated financial statements for the financial year ended 31 December

2018.

The Group has initially adopted IFRS 16 *Leases* from 1 January 2019. A number of other new standards are effective from 1 January 2019, but they do not have a material effect on the Group's financial statements.

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right of use assets representing its right to use the underlying asset and lease liabilities representing it obligation to make lease payments. The Group has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated - i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the change in accounting policy is described below.

Definition of a lease
Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 *Determining whether an arrangement contains a lease*. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under IFRS 16, 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.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as a lease. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee
The Group leases many assets, including predominately properties and vehicles. As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the Group recognises right of use assets and lease liabilities for most leases - i.e. these leases are on-balance sheet. The Group has assessed the exemption allowable to low-value assets and considered that no categories of asset meet these criteria.

The Group presents right of use assets that do not meet the definition of investment property in 'property, plant and equipment', the same line item as it presents underlying assets of the same nature that it owns. The carrying amounts of right-of-use assets are as below:

	Plant & equipment	**Properties**	**Total**
	£000	**£000**	**£000**
At 1 January 2019	225	343	568
At 31 December 2019	406	2,247	2,653

The Group presents lease liabilities separately on the face of the Balance Sheet.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right of use assets recognised.

Transition
Previously, the Group classified property leases as operating leases under IAS 17. The leases run for differing periods and some leases include options to renew the lease and / or rent-free periods.

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

Right of use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Excluded initial direct costs from measuring the right of use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.
- Applied a single discount rate to a portfolio of leases with reasonably similar characteristics.

On transition to IFRS 16, financial commitments of £1,246,000 as at 31 December 2018, previously disclosed, were considered to not meet the IFRS 16 criteria and therefore not recognised as right of use assets.

Impacts on financial statements
As a result of initially applying IFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognised £568,000 of right of use assets and £568,000 of lease liabilities, after deduction of £5,000 discounting impact at the incremental borrowing rate of 3.1%. On acquisition of Defaqto the Group recognised £206,000 of right of use assets and lease liabilities on the opening balance sheet.

Amortisation of other intangible assets
Amortisation of other intangible assets is charged to the statement of profit or loss on a straight-line basis over their estimated useful lives. 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 estimated useful lives have been updated in the period to be:

- Brand 10 - 15 years
- Intellectual property 8 - 15 years

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.

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. The major source of estimation uncertainty relates to the estimation of future cash flows, particularly for the value-in-use calculation for the Defaqto CGU.

Identification and valuation of other intangible assets
Under IFRS accounting the Group is required to make an assessment of the identifiable intangible assets acquired in a business combination. Such an assessment involves the use of judgement, both in the identification of the assets and in the estimation of their value. The major source of judgement relates to the initial identification of the assets, due to the interconnected nature of them, particularly for the Defaqto acquisition.

5. Reconciliation of GAAP to Non-GAAP measures

The Group uses a number of "non-GAAP" figures as comparable key performance measures, as they exclude the impact of one-off items that are not considered part of ongoing trade. Amortisation of other intangible assets has been excluded on the basis that it is a non-cash amount, relating to acquisitions in the current and prior periods. Operating costs of an exceptional nature have been excluded as they are not considered part of the underlying trade.

The Group's "non-GAAP" measures are not defined performance measures in IFRS. The Group's definition of the reporting measures may not be comparable with similar titled performance measures in other entities.

Adjusted EBITDA is calculated as follows:

	Year ended 31 December 2019 £000	Year ended 31 December 2018 £000
Operating profit	**12,002**	6,757
Add back:		
Depreciation	**286**	256
Depreciation of lease asset	**707**	-
Amortisation of other intangible assets (note 10)	**1,579**	124
Amortisation of development costs and software (note 10)	**633**	133
EBITDA	**15,207**	7,270
Add back:		
Operating costs of exceptional nature (note 7)	**2,009**	3,829
Share option charges	**512**	320
IFRS 16 impact	**(724)**	-
Adjusted EBITDA	**17,004**	11,419

The impact of applying IFRS 16 using the modified retrospective approach was to reduce the charge for operating leases in the profit and loss account by £724,000 for 2019. For the current year only, this benefit has been deducted within the calculation of Adjusted EBITDA, to provide comparability to the prior year.

Adjusted profit before tax is calculated as follows:

	Year ended 31 December 2019 £000	Year ended 31 December 2018 £000
Profit before tax	**10,844**	4,234
Add back:		
Operating costs of exceptional nature (note 7)	**2,009**	3,829
Finance costs of exceptional nature	**-**	1,635
Impact of IFRS 16, net of depreciation	**16**	-
Amortisation of other intangible assets (note 10)	**1,579**	124
Share option charges	**512**	320
Adjusted profit before tax	**14,960**	10,142

The impact of IFRS 16 accounting, net of depreciation is the offset of the beneficial impact of reducing lease charges in the profit and loss account, and the depreciation of lease assets and finance charge on the lease liability.

Finance costs of an exceptional nature in 2018 represent the one-off costs incurred on settlement of the previous loan facility and associated share warrant, including the accelerated release of capitalised arrangement fees.

Adjusted profit after tax is calculated as follows:

	Year ended 31 December 2019 £000	Year ended 31 December 2018 £000
Profit after tax	**8,626**	2,849

Add back:		
Operating costs of exceptional nature (note 7)	**2,009**	3,829
Finance costs of exceptional nature, net of tax	**-**	1,324
Impact of IFRS 16 accounting, net of depreciation and tax	**13**	-
Amortisation of other intangible assets, net of deferred tax credit	**1,306**	100
Share option charges, net of deferred tax credit	**424**	259
Adjusted profit after tax	**12,378**	8,361

Free cash flow conversion is calculated as follows:

	Year ended 31 December 2019 £000	Year ended 31 December 2018 £000
Net cash generated from operating activities	**10,388**	6,033
Adjusted for:		
Operating costs of exceptional nature (note 7)	**2,009**	3,829
Finance income	**123**	79
Finance costs	**(1,104)**	(1,078)
Purchase of property, plant and equipment	**(208)**	(109)
Proceeds from sales of property, plant and equipment	**58**	-
Payment of lease liability	**(677)**	-
Development expenditure	**(2,354)**	(657)
Free cash flow	**8,235**	8,097
Adjusted EBITDA (as above)	**17,004**	11,419
Free cash flow conversion	**48%**	71%

6. Segmental Information

During the year, the Company was domiciled in the UK and as such substantially all revenue is derived from external customers in the United Kingdom. Since the acquisition of Defaqto, the Group has an operation in Norway, which is wholly immaterial to the Group's revenues.

Subsequent to the acquisition of Defaqto, the Group has updated its segmental reporting assessment and now has three operating segments, which are considered to be reportable segments under IFRS. The three reportable segments are:

- Intermediary Services;
- Distribution Channels; and
- Research & Fintech

Intermediary Services provides compliance and regulation services to individual financial intermediary Member Firms, including directly authorised IFAs, directly authorised mortgage advisers, workplace consultants and directly authorised consumer credit brokers.

Distribution Channels provides marketing and promotion, product panelling and co-manufacturing services to financial institutions. This division of the Group also undertakes survey panelling and surveying work for mortgage lenders.

The Research and Fintech segment provides a fintech platform for over 9,000 users, across 3,300 firms and providing independent ratings of 21,000 financial products and funds, licensed by 250 brands.

The reportable segments are derived on a product / customer type basis. Management have applied their judgement on application of IFRS 8, with operating segments reported in a manner consistent with the internal reporting produced to the chief operating decision makers ('CODM'). The chief operating decision makers are deemed to be the Joint CEOs. No aggregation of operating segments has occurred.

Segmental information is provided for Adjusted EBITDA, which is the measure used when reporting to the CODM.

The tables below present the segmental information.

Year ended 31 December 2019	Intermediary Services	Distribution Channels	Research & Fintech	Group
	£000	£000	£000	£000
Revenue	24,153	26,838	11,783	62,774
Adjusted operating expenses, before amortisation and depreciation	(18,513)	(20,349)	(6,908)	(45,770)
Adjusted EBITDA	5,640	6,489	4,875	17,004
Operating costs of an exceptional nature				(2,009)
Amortisation of other intangible assets				(1,579)
Amortisation of development costs and software				(633)
Depreciation				(286)
Depreciation of lease asset				(707)
Beneficial impact of IFRS 16 adoption				724
Share option charges				(512)
Operating profit				**12,002**

Year ended 31 December 2018	Intermediary Services	Distribution Channels	Research & Fintech	Group
	£000	£000	£000	£000
Revenue	23,329	27,357	-	50,686
Adjusted operating expenses, before amortisation and depreciation	(18,135)	(21,132)	-	(39,267)
Adjusted EBITDA	5,194	6,225	-	11,419
Operating costs of an exceptional nature				(3,829)
Amortisation of other intangible assets				(124)
Amortisation of development costs and software				(133)
Depreciation				(256)
Depreciation of lease asset				-
Share option charges				(320)
Operating Profit				**6,757**

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 the reporting segments for management and the chief operating 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.

7. Operating Profit

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

	Year ended 31 December 2019 £000	Year ended 31 December 2018 £000
Depreciation of tangible assets - owned	**286**	256
Depreciation of lease assets	**707**	-
Payments in respect of operating leases	**-**	4,760
Research expenditure	**472**	161
Operating costs of exceptional nature:		
Fees in relation to IPO process	**-**	3,622
Restructuring costs	**-**	77

Professional fees for acquisitions	**1,621**	130
Loss of office expense	**388**	-
	2,009	3,829

Operating costs of exceptional nature

Professional fees for acquisitions relate to the purchase of Defaqto in 2019, and Landmark Surveyors in 2018. Loss of office expense relates to the redundancy of a senior employee and restructuring costs in 2018 relate to a programme of restructuring in a single legal entity. Fees in relation to the IPO process include professional fees incurred on listing on AIM in April 2018.

8. Finance Expense and Income

	Year ended 31 December 2019 £000	Year ended 31 December 2018 £000
Finance Expense		
Interest payable on financial liabilities at amortised cost	**(1,249)**	(967)
Finance charge on lease liability	**(32)**	-
Fair value loss on financial instruments	**-**	(345)
Accelerated arrangement fees on settlement of previous loan	**-**	(775)
Accelerated implied interest charge on settlement of previous loan	**-**	(515)
	(1,281)	(2,602)
Finance Income		
Bank interest receivable	**123**	79
	123	79
Net finance expense	**(1,158)**	(2,523)

9. Earnings per share

Basic Earnings Per Share	**Year ended 31 December 2019 £000**	Year ended 31 December 2018 £000
Profit attributable to equity shareholders of the parent	**8,547**	2,849
Weighted average number of shares in issue	**92,386,063**	71,974,191
Basic profit per share (pence)	**9.25**	3.96

Diluted Earnings Per Share	**Year ended 31 December 2019 £000**	Year ended 31 December 2018 £000
Profit attributable to equity shareholders of the parent	**8,547**	2,849
Weighted average number of shares in issue	**92,386,063**	71,974,191
Diluted weighted average number of shares and options for the year	**2,973,289**	369,892

	95,359,352	72,344,083
Diluted profit per share (pence)	**8.96**	3.94

During 2019 and as at 31 December 2019, the Management Incentive Plan ("MIP"), as described in note 14, exceeded the required equity hurdle. Management have therefore assumed that the equity hurdle will be achieved at the end of the vesting period, increasing the number of diluting share options.

As at the 31 December 2019, 3,390,604 options issued to Members (intermediary customers) were less than the share price, making them 'in the money'. They have therefore been included in the diluted weighted average number of shares above.

An adjusted EPS has been calculated below based on the adjusted profit after tax, which removes one off items not considered to be part of underlying trading.

Adjusted basic Earnings Per Share	**Year ended 31 December 2019 £000**	Year ended 31 December 2018 £000
Adjusted profit after tax (note 5)	**12,378**	8,361
Weighted average number of shares in issue	**92,386,063**	71,974,191
Adjusted earnings per share (pence)	**13.40**	11.62

10. Intangible assets

	Goodwill	Software	Other Intangible Assets Brand	 Customer Relationships	 Total other intangible assets	Development expenditure	Total
	£000	£000	£000	£000	£000	£000	£000
Cost							
At 1 January 2018	16,250	-	-	-	-	2,133	18,383
Acquisitions	3,520	-	115	897	1,012	-	4,532
Additions	-	-	-	-	-	657	657
At 31 December 2018	19,770	-	115	897	1,012	2,790	23,572
Acquisitions	56,406	34	2,940	23,551	26,491	-	82,931
Additions	-	-	-	-	-	2,354	2,354
At 31 December 2019	**76,176**	**34**	**3,055**	**24,448**	**27,503**	**5,144**	**108,857**
Amortisation and impairment							
At 1 January 2018	178	-	-	-	-	-	178
Charge in the period	-	-	12	112	124	133	257
At 31 December 2018	178	-	12	112	124	133	435

Charge in the period	-	14	241	1,338	1,579	619	2,212
At 31 December 2019	**178**	**14**	**253**	**1,450**	**1,703**	**752**	**2,647**
Net book value							
At 31 December 2019	**75,998**	**20**	**2,802**	**22,998**	**25,800**	**4,392**	**106,210**
At 31 December 2018	19,592	-	103	785	888	2,657	23,137

Capitalised development expenditure relates to the development of the software platform in Zest Technologies Limited, and technologies in Defaqto.

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

	Year ended 31 December 2019 £000	Year ended 31 December 2018 £000
Intermediary services	**15,049**	12,823
Distribution channels	**12,923**	6,769
Research & Fintech	**48,026**	-
	75,998	19,592

11. Borrowings

	31 December 2019 £000	31 December 2018 £000
Current	**-**	7,500
Less loan arrangement fees	**-**	(67)
Non-current	**38,000**	-
Less loan arrangement fees	**(315)**	-
	37,685	7,433

On 5 April 2018, the Group repaid its previous loan in full and drew down £10.1m from a new £15.0m Revolving Credit Facility ('RCF') provided by Yorkshire Bank. The previous loan was due to be settled in June 2022. On settlement of the loan, £775,000 of capitalised loan arrangement fees were accelerated into the profit and loss account, along with £515,000 of implied interest (due to the discounting of the amount repayable to the present date). £90,000 of loan arrangement fees were incurred on the new RCF, which have been capitalised and amortised over 3 years.

On 21 March 2019, the Group repaid the loan facility provided by Yorkshire Bank and drew down £45.0m from an RCF provided in two equal amounts of £22.5m from Yorkshire Bank and NatWest. The drawdown from Yorkshire Bank was net of the settlement of the previous funding. The RCF is a four-year facility, with the option of a one-year extension. The margin payable on the RCF is based on the net leverage of the Group with a range of 1.5% to 2.6% above LIBOR.

On 21 March 2019, the Group repaid the acquired debt of Defaqto of £24,676,000 (including accrued interest).

On 21 June 2019, the Group repaid £3.0m of the RCF, and on 23 December 2019 repaid £4.0m.

12. Share Capital & Share Premium

Share capital

	Ordinary A shares	Ordinary B shares	Ordinary C shares	Ordinary D shares	Ordinary Shares	Total
Number of fully paid shares (nominal value £0.01):						
At 1 January 2018	8,349,148	332,232	1,331,112	230,899	-	10,243,391
Repurchase of shares and cancellation	-	-	-	(1,093)	-	(1,093)
Bonus issue of shares	75,142,332	2,990,088	11,980,008	2,068,254	-	92,180,682
Share consolidation	(75,142,332)	(2,990,088)	(11,980,008)	(2,068,254)	-	(92,180,682)
Bonus issue of shares	45,295,619	1,802,410	1,275,069	208,043	-	48,581,141
Share conversion	(53,644,767)	(2,134,642)	(2,606,181)	(437,849)	58,823,439	-
Issue of share capital	-	-	-	-	17,647,149	17,647,149
At 31 December 2018	-	-	-	-	76,470,588	76,470,588
Issue of share capital	-	-	-	-	20,311,708	20,311,708
At 31 December 2019	**-**	**-**	**-**	**-**	**96,782,296**	**96,782,296**

During 2018, prior to the IPO listing, the Company bought back and cancelled 1,093 ordinary D shares.

As part of the IPO process, the following share restructuring took place on 4 April 2018:

- an initial bonus issue of shares in the ratio of nine new shares to one existing share was issued across all share categories;
- a share consolidation across all share categories, at a rate of 10 shares to one;
- a second bonus issue of shares across all share categories at differing share ratios; and
- a conversion of all categories of shares, in a ratio of one to one, into a new category of Ordinary Shares.

In addition to the above, an issue of 17,647,149 new Ordinary Shares was made on 4 April 2018, and the Company undertook a reduction of its share capital by cancelling £45,000,000 of its share premium account.

On 21 March 2019, the Company issued 20,311,708 new £0.01 ordinary shares for £1.80 per share, as part of the funding for the acquisition of Defaqto. 4,160,000 of these shares were issued in part consideration for the acquisition of Defaqto (note 16).

Share Premium

	Share Premium £'000

At 1 January 2018	52,544
Issue of share capital	29,826
Transfer to retained earnings	(45,000)
Bonus issue	(579)
At 31 December 2018	36,791
Issue of share capital	28,909
Cost of share issue	(945)
At 31 December 2019	**64,755**

13. Other reserves

	Merger Reserve £'000	Capital redemption reserve £'000	Share Option Reserve £'000	Total Other Reserves £'000
At 1 January 2018	(61,395)	8	-	(61,387)
Share options charge	-	-	320	320
At 31 December 2018	(61,395)	8	320	(61,067)
Share option charge	-	-	512	512
Issue of shares	7,449	-	-	7,449
Deferred tax on share options exceeding profit and loss charge	-	-	1,113	1,113
At 31 December 2019	**(53,946)**	**8**	**1,945**	**(51,993)**

During the year the Company issued 4,160,600 new £0.01 ordinary shares at a value of £1.80 per share in part consideration for the acquisition of Defaqto, resulting in an increase in the merger reserve. The opening balance on the merger reserve arose during the introduction of a new ultimate parent company (The SimplyBiz Group plc) in 2015.

14. Share-based payment arrangements

At 31 December 2019, the Group had the following share-based payment arrangements.

Issued in 2018

Company Share Option Plan ("CSOP")

On 4 April 2018, the Group established the Company Share Option Plan ("CSOP"), which granted share options to certain key management personnel. The CSOP consists of two parts, and all options are to be settled by physical delivery of shares. The terms and conditions of the share option schemes granted during the year ended 31 December 2019 are as follows:

Scheme	Grant date	Number of awards	Vesting conditions	Contractual life of options
Approved Scheme	4 April 2018	229,412	3 years' service from grant date	3 to 10 years
Unapproved Scheme	4 April 2018	250,000	3 years' service from grant date	3 to 10 years

During 2019 5,882 awards (2018: nil) under the above plans have been forfeited as a result of bad leavers.

Management Incentive Plan ("MIP")

On 4 April 2018, the Group established the Management Incentive Plan ("MIP") which invited eligible employees to subscribe for A shares in the Company's subsidiary SimplyBiz Limited. Participants have a put option to sell the A shares to the Company in exchange for Ordinary Shares of the Company at any point between three years and ten years after the date of grant, provided that they are still employed (or treated as a good leaver) and an equity hurdle is met. The terms and conditions of the MIP are as follows:

Grant date	Number of awards	Vesting conditions	Contractual life of options
4 April 2018	2,250	3 years' service from grant date, subject to an equity hurdle of 40% above the IPO market capitalisation	3 to 10 years

If the equity hurdle is achieved, the A Shares are convertible into shares of the Company, based on 15% of the value created above 105% of the market capitalisation at IPO, subject to a 7.35% dilution cap on the issued share capital at the point of vesting.

During 2019 and as at 31 December 2019, the MIP, exceeded the required equity hurdle.

The fair value of services received in return for share options granted is based on the fair value of the share options granted. The fair value has been measured using the Black Scholes model for the unapproved CSOP scheme, and the Monte Carlo model for the MIP and approved CSOP scheme.

The following inputs were used in the measurement of the fair values at grant date of the share-based payment plans:

	Approved CSOP	Unapproved CSOP	Management Incentive Plan
Fair value at grant date	£0.64	£1.59	£290.22
Share price at grant date	£1.70	£1.70	£1.70
Exercise price	£1.70	£0.01	£1.785
Expected volatility	40%	40%	40%
Option life (expected weighted average life)	3	3	3
Expected dividends	2%	2%	2%
Risk-free interest rate (based on government bonds)	1.2%	1.2%	1.2%

Save As You Earn ("SAYE") scheme

On 24 September 2018, the Group established the Save As You Earn ("SAYE") scheme and invited all Group employees to enter into a three-year savings contract linked to an option which entitles them to acquire Ordinary Shares in the Company.

537,618 options were issued under the scheme, with an exercise price of £1.70. The fair value of the shares at date of grant (1 December 2018) was £0.70, and the share options are due to vest in three years. Expected volatility, dividends and the risk-free interest rate have been assumed to be consistent with the approved CSOP scheme noted above.

During 2019, 119,631 awards (2018: nil) under the above plans have been forfeited as a result of bad leavers. Assumed retention on the remaining options at 31 December 2019 is 90%.

Issued in 2019

Company Share Option Plan ("CSOP")

In September 2019, the Group established an additional Company Share Option Plan ("CSOP"), which granted share options to certain key management personnel. The CSOP consists of two parts, and all options are to be settled by physical delivery of shares. The terms and conditions of the share option schemes granted during the year ended 31 December 2019 are as follows:

Scheme	Grant date	Number of awards	Vesting conditions	Contractual life of options
Approved Scheme	26 September 2019	15,564	3 years' service from grant date	3 to 10 years
Unapproved Scheme	26 September 2019	61,302	2 years' service from grant date	3 to 10 years
Unapproved Scheme	26 September 2019	90,791	1.52 years' service from grant date	3 to 10 years

The fair value of services received in return for share options granted is based on the fair value of the share options granted. The fair value has been measured using the Black Scholes model.

The following inputs were used in the measurement of the fair values at grant date of the share-based payment plans:

	Approved CSOP	Unapproved CSOP	Unapproved CSOP
Fair value at grant date	£0.54	£1.84	£1.86
Share price at grant date	£1.93	£1.93	£1.93
Exercise price	£1.93	£0.01	£0.01
Expected volatility	45%	45%	45%
Option life (expected weighted average life)	3	2	1.52
Expected dividends	2%	2%	2%
Risk-free interest rate (based on government bonds)	1.3%	1.3%	1.3%

Save As You Earn ("SAYE") scheme

On 26 September 2019, the Group established the 2019 Save As You Earn ("SAYE") scheme and invited all Group employees to enter into a three-year savings contract linked to an option which entitles them to acquire Ordinary Shares in the Company.

375,145 options were issued under the scheme, with an exercise price of £1.58. The fair value of the shares at date of grant (1 December 2019) was £0.70, and the share options are due to vest in three years. Expected volatility, dividends and the risk-free interest rate have been assumed to be consistent with the approved CSOP scheme noted above.

During 2019, 3,417 shares have been forfeited as a result of bad leavers. An assumed retention rate of 85% has been applied at 31 December 2019 on the outstanding shares.

Reconciliation of outstanding share options

The number and weighted average exercise prices of share options under the share option programmes were as follows:

	Number of options 31 December 2019	**Weighted average exercise price 31 December 2019 £**	Number of options 31 December 2018	Weighted average exercise price 31 December 2018 £
Outstanding at 1 January	1,036,808	1.29	-	-
Forfeited during the year	(128,930)	1.70	-	-
Exercised during the year	-	-	-	-
Granted during the year	542,802	1.15	1,036,808	1.29
Outstanding at 31 December	**1,450,680**	**1.20**	**1,036,808**	**1.29**
Exercisable at 31 December	**-**	**-**	**-**	**-**

The options outstanding at 31 December 2019 had an exercise price in the range of £0.01 to £1.93 (2018: £0.01 to £1.785) and a weighted average contractual life of 2.9 years (2018: 3.0 years).

15. Notes to the cash flow statement

	Year ended 31 December 2019 £000	Year ended 31 December 2018 £000
Cash flow from operating activities		
Profit after taxation	**8,626**	2,849
Add back / (deduct):		

Finance income	**(123)**	(79)
Finance cost	**1,281**	2,257
Fair value losses on derivative financial instruments	**-**	345
Taxation	**2,218**	1,385
	12,002	6,757
Adjustments for:		
Amortisation of development expenditure and software	**633**	133
Depreciation of property, plant and equipment	**286**	256
Depreciation of lease asset	**707**	-
Amortisation of other intangible assets	**1,579**	257
Share option charge	**512**	320
Operating cash flow before movements in working capital	**15,719**	7,590
Increase in receivables	**(282)**	(1,186)
(Decrease) / increase in trade and other payables	**(3,290)**	620
Cash generated from operations	**12,147**	7,024
Income taxes paid	**(1,759)**	(991)
Net cash generated from operating activities	**10,388**	6,033

16. Acquisitions

On 21 March 2019, the Group purchased 100% of the share capital of Regulus Topco Limited, owner of Defaqto, a financial services tech business for total consideration of £51.4m. Acquired borrowings of £24.7m were settled soon after completion of the transaction.

The acquisition of Defaqto creates a single fintech and support service group, which will benefit from an increased number and range of distribution channels. In the period to 31 December 2019, Defaqto contributed revenue of £11.8m, adjusted EBITDA of £4.9m and operating profit of £4.7m. If the acquisition had occurred on 1 January 2019, management estimates that revenue would have been £15.1m, operating profit of £5.9m and adjusted EBITDA of £6.1m.

The Group incurred acquisition related costs of £2.5m relating to external legal, broker and professional fees. £1.6m of these costs have been included in 'operating expenses' in the consolidated statement of profit or loss and other comprehensive income and analysed separately as 'operating costs of an exceptional nature' in note 8. The remaining £0.9m relating to the equity raised for the transaction has been charged to Share Premium.

The following fair values have been determined provisionally, based on the Group's preliminary assessment. The Group will continue to review the fair values during the measurement period. If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the above amounts, or any additional provisions that existed at the date of acquisition, then the accounting for the acquisition will be revised. The fair values have been updated since the 2019 Half Year Results to remove capitalised development costs, as these are considered to be included within the Intellectual Property asset.

	Provisional Fair Value £000
Net assets acquired	
Property, plant & equipment	213
Lease asset	206
Other intangible assets - software	34
Trade and other receivables	2,791
Income tax receivable	578
Cash and cash equivalents	5,030
Trade and other payables	(3,281)
Deferred revenue	(7,360)
Borrowings	(24,676)

Lease liability	(206)
Intangible assets - Brands	2,940
Intangible assets - Intellectual property	23,551
Deferred tax liability	(4,814)
	(4,994)
Consideration paid	
Cash price paid	43,894
Shares issued	7,489
	51,383
Goodwill	56,377

The intellectual property asset is a single primary asset covering customer relationships, technology and data, which collectively meet the separability criteria in IAS 38.

Measurement of fair values
The valuation techniques used for measuring the fair value of material assets and liabilities acquired were as follows:

- **Property, plant and equipment -** *Market comparison technique and cost technique:* The valuation model considers market prices for similar items when they are available, and depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.
- **Intangible assets -** *Relief-from-royalty method and multi-excess earnings method:* The relief-from-royalty method considers the discounted estimated royalty payments that are expected to be avoided as a result of the patents being owned. The multi-period excess earnings method considers the present value of net cash flows expected to be generated by the customer relationships, by excluding any cash flows relates to contributory assets.
- **Deferred revenue -** The deferred revenue has been recorded at book value on the basis that future cash outflows of a market participant would not be significantly different.

Goodwill acquired on the acquisition relates to the assembled workforce and the synergies expected to be achieved from integrating the company into the Group's existing business. None of the goodwill recognised is expected to be deductible for tax purposes. The acquisition significantly expands our customer base and breadth of proposition, whilst enhancing the Group's product margins. The strategic combination of SimplyBiz and Defaqto creates a single fintech and support services group, which now benefits from an increased number and range of distribution channels.

In January 2019, the Group finalised the fair value assessment for the acquisition of Landmark Surveyors and as a result goodwill was increased by £29,000.

17. Subsequent Events

On 28 January 2020, the Group entered into a new 15-year property lease with Portus Felix Limited, a company in which Ken Davy is a connected party. The right of use asset has been valued at £2.6m and will be offset by at £2.6m lease liability reflecting the discounted committed cash outflows.

FR DBGDXGUGDGGC