Company Registration No. 6095563

Simplify Digital Limited

Report and Financial Statements

31 January 2013

Simplify Digital Limited

Report and financial statements 2013

Contents

Simplify Digital Limited

Report and financial statements 2013

Officers and professional advisers

Directors

L J Bleach
J C Botts
C A L Ponsonby
D J Lee

Secretary

L J Bleach

Registered Office

2 Temple Back East
Temple Quay
Bristol
BS1 6EG

Business address

1 Riverside
Manbre Road
Hammersmith
W6 9WA

Solicitors

Osborne Clarke
2 Temple Back East
Temple Quay
Bristol
BS1 6EG

Bankers

Barclays Bank PLC
Business Banking
PO Box 35721
27th Floor
1 Churchill Place
London
BX3 2BB

Auditor

Deloitte LLP
Chartered Accountants
London

Simplify Digital Limited

Directors' report

The Directors present their report with the financial statements of the company for the year ended 31 January 2013 This directors' report has been prepared in accordance with the special provisions relating to small companies under section 416(3) and 417(1) of the Companies Act 2006

Principal activities

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

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

Simplify Digital also provide comparison and/or retail capabilities to third party businesses and marketing partners via cloud-based 'Software as a Service' propositions

Review of business and future prospects

The results for the year and financial position of the company are as shown in the financial statements

The company delivered significant revenue growth over the year, from £5,193,229 in 2011/12 to £7,064,459 in 2012/13

This reflects the success of a clear strategy to develop our proprietary comparison-sales platform This technology platform is used by our growing Simplify Digital retail business and our increasing portfolio of Software as a Service ("SaaS") clients

These SaaS clients consist of retail clients and service provider clients The retail clients use our SaaS products to improve their TV, broadband and home phone comparison selling capability online, in contact centres, in-store, and on mobile devices The service provider clients use our SaaS products to improve their sales, retention, decisioning and analytics capabilities in their contact centres and head office management teams

During the year we continued to invest heavily in our proprietary technology as we extend our SaaS capability into other verticals and geographies Where appropriate, the costs of this R&D are capitalised and totalled £263,950 in 2012/13

The higher sales volumes and revenues enabled us to move from a gross profit of £2,768,756 in 2011/12 to a gross profit of £3,856,887 in 2012/13 – an increase of 39%

The Directors believe that the prospects for the business look very strong The core retail business remains differentiated, appealing and profitable Increasingly, it also provides a proof point for the wider SaaS propositions which are generating highly scalable and diversified revenues streams in their own right and will, the Directors believe, become the major source of revenues over the year ahead

Going concern and financing

Over 2012/13 revenues increased by 36% whilst total operating costs increased by only 18% which together drove the company from an operating loss of £11,861 to an operating profit of £959,358 Profitability is expected to increase over 2013/14 as the full year positive impact of activities launched late in 2012/13 are delivered, in addition to the new revenue streams planned for the year

No new funding was required during the year as the business is now profitable and generating positive cash flow

The Directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future The recent profit history of the company has also facilitated access to debt funding with our bank, should it be deemed appropriate The key factors underpinning their judgement are set out in keys risks and uncertainties below For this reason the Directors continue to adopt the going concern basis in preparing the financial statements

Simplify Digital Limited

Directors' report

Dividends

No dividends will be distributed for the year ended 31 January 2013 (2012 Nil)

Key risks and uncertainties

As a lead generation and retail business, the company is exposed to a number of uncertainties that are continually assessed These relate to the volume and cost of leads, the sales conversion rate of these leads and the average revenue per sale

In order to ensure that leads are driven at a cost effective rate, the company works with many different marketing partners and sources, and is continually trialling and testing new tools and creative messages to optimise the cost per call by campaign Consequently, the company is not over reliant on a small number of sources for volume nor efficiently costed leads

The Directors have established a thorough and detailed conversion rate management process The conversion performance of the contact centre and the website is under continual review, with adjustments made to reward mechanisms, personnel and website structure to ensure any risk of a material decline in conversion rate is minimised

Where possible, we have entered into longer term contracts with key suppliers, marketing partners and SaaS clients The contractual nature of the SaaS revenues also helps balance the above retail risk

The company's costs are largely payroll, outsourced call centre services and premises costs and are predictable

The company is exposed to the potential of credit risk with its major service provider partners However, the directors do not believe that the company is exposed to any price risk or liquidity risk The company currently has sufficient cash to fund its activities for the foreseeable future

Simplify Digital Limited

Directors' report

Directors and their interests

The directors shown below have held office during the whole of the year ended of this report

L J Bleach
J C Botts
C A L Ponsonby
D J Lee

The interests of Directors in the (diluted) share capital of the company are as follows

C A Ponsonby	38 4%
L J Bleach	7 2%
J C Botts	6 4%
D J Lee	0 0%

All the directors who are eligible offer themselves for re-election at the forthcoming Annual General Meeting

Supplier payment policy

The company's policy is to abide by terms of payments with all suppliers, in accordance with the terms agreed for each transaction

Trade creditors of the company at 31 January 2013 were equivalent to 43 (2012 38) days' purchases, based on the average daily amount invoiced by suppliers during the year

Charitable and political contributions

During the year, the company made no charitable donation The company made a charitable donation to Virgin Money Giving of £100 in the prior year

Statement as to disclosure of information to auditor

Each of the persons who is a director at the date of approval of this annual report confirms that

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006

Auditor

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting The auditor, Deloitte LLP, will be proposed for re-appointment in accordance with Section 489 and 491 of the Companies Act 2006

By order of the board

L J Bleach
Secretary
16th Sept .2013

Simplify Digital Limited

Directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable laws and regulations

Company law requires the directors to prepare such financial statements for each financial year Under that law the directors are required to prepare group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union 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 and loss of the company for that period In preparing these financial statements, International Accounting Standard 1 requires that directors

- properly select and apply accounting policies,
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance, and
- make an assessment of the company's ability to continue as a going concern

The directors are responsible for keeping proper 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 to enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

L J Bleach
Secretary
16th Sept 2013

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

We have audited the financial statements of Simplify Digital Limited for the year ended 31 January 2013 which comprise the income statement, the balance sheet, the statement of changes in equity, the cash flow statement, the notes to the cash flow statement, and the related notes 1 to 20 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 January 2013 and of its profit for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, 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

William Touche

William Touche – Senior Statutory Auditor
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
16th September 2013

Simplify Digital Limited

Income statement
Year ended 31 January 2013

	Notes	2013 £	2012 £
Revenue	2	7,064,459	5,193,229
Cost of sales		(3,207,572)	(2,424,473)
Gross profit		3,856,887	2,768,756
Marketing expenditure		(1,413,236)	(1,373,654)
Technology and development costs		(585,065)	(475,417)
Administrative expenses		(899,228)	(931,546)
Operating profit/(loss)		959,358	(11,861)
Finance income	4	602	489
Profit/(loss) before tax	5	959,960	(11,372)
Tax	6	725,841	62,458
Profit for the period		1,685,801	51,086

There was no other comprehensive income in the year ended 31 January 2013

Simplify Digital Limited

Balance sheet
At 31 January 2013

	Notes	2013 £	2012 £
Assets			
Non-current assets			
Intangible assets	7	249,352	4,770
Property, plant and equipment	8	2,204	5,779
Deferred tax	14	731,181	-
		982,737	10,549
Current assets			
Trade and other receivables	9	2,261,606	1,147,190
Tax receivable	6	-	62,457
Cash at bank and in hand	10	916,673	807,957
		3,178,279	2,017,604
Liabilities			
Current liabilities			
Trade and other payables	11	(1,689,724)	(1,190,582)
Current tax liability	6	(119)	-
		(1,689,843)	(1,190,582)
Net current assets		1,488,437	827,022
Net assets		2,471,174	837,571
Shareholders' equity			
Called up share capital	15	2,137	2,137
Share premium account	16	4,374,985	4,374,985
Retained earnings	16	(1,905,949)	(3,539,551)
Shareholders' equity		2,471,174	837,571

These financial statements were approved by the Board of Directors on 16th Sept. 2013 and signed on its behalf by

Company number 6095563

L J Bleach
Director

C A L Ponsonby
Director

Simplify Digital Limited

Statement of changes in equity
For the year ended 31 January 2013

	Notes	Called up share capital £	Share premium account £	Profit and loss account £	Total equity £
Balance at 31 January 2011		2,137	4,374,985	(3,686,980)	690,142
Changes in equity					
Total comprehensive income		-	-	51,086	51,086
Share-based payment	18	-	-	96,343	96,343
Balance at 31 January 2012		2,137	4,374,985	(3,539,551)	837,571
Changes in equity					
Total comprehensive income		-	-	1,685,801	1,685,801
Share-based payment	18,14	-	-	(52,199)	(52,199)
Balance at 31 January 2013		2,137	4,374,985	(1,905,949)	2,471,174

Simplify Digital Limited

Cash flow statement
Year ended 31 January 2013

	Notes	2013 £	2012 £
Cash flows from operating activities			
Cash generated from operations	1	372,666	374,043
Net cash outflow from operating activities		372,666	374,043
Cash flows from investing activities			
Capitalisation of development costs	7	(263,950)	-
Purchase of tangible fixed assets	8	-	(7,151)
		(263,950)	(7,151)
Increase in cash and cash equivalents		108,716	366,892
Cash and cash equivalents at beginning of period		807,957	441,065
Cash and cash equivalents at end of period	11	916,673	807,957

Simplify Digital Limited

Notes to the cash flow statement
Year ended 31 January 2013

i. Reconciliation of loss before tax to cash generated from operations

	Notes	2013 £	2012 £
Profit/(loss) before tax		959,960	(11,372)
Depreciation charges	8	3,575	4,080
Amortisation charges	7	19,368	26,645
Tax received		62,457	24,232
Share-based payment (income)/expense	18	57,420	96,343
		987,940	139,928
Increase in trade and other receivables		(1,114,416)	(397,742)
Increase in trade and other payables		499,142	631,857
Cash generated by operations		372,666	374,043

ii. Cash and cash equivalents

The amounts disclosed in the cash flow statement in respect of cash and cash equivalents are in respect of these balance sheet amounts

	2013 £	2012 £
Cash and cash equivalents	916,673	807,957

Simplify Digital Limited

Notes to the accounts
Year ended 31 January 2013

1. Accounting policies

Basis of preparation and general information

Simplify Digital Limited is a limited company incorporated in the United Kingdom and registered in England and Wales under the Companies Act 2006 The financial statements have been prepared under the historical cost convention with the exception of items which are required to be measured at fair value as set out in the company's accounting policies below As permitted by the Companies Act 2006, the financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU

Going concern

A going concern discussion is given in the Directors' report The Directors have reviewed the outlook for the company and have concluded that the company will remain a going concern for a period of 12 months from the date of signing of these accounts

Revenue recognition

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

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

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

Hire purchase and leasing commitments

Rentals paid under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease

Share-based payments

The company issues options to certain employees

Equity-settled share-based payments are measured at fair value at the date of grant The fair value determined at the grant date is expensed over the vesting period, based on the estimates of shares that will eventually vest The vesting period is dependent on an exit event and as a result the vesting period is re-estimated annually In assessing the fair value, the directors have taken into account the current and forecast profit and the multiple of comparable companies

Property, plant and equipment

Computer equipment is recognised as an expense in the period in which it is incurred

1. **Accountıng polıcies (contınued)**

Development costs – research and development expendıture

Expendıture on research actıvıtıes ıs recognısed as an expense ın the perıod ın whıch ıt ıs ıncurred

An ınternally-generated ıntangıble asset arısıng from the company's development ıs recognısed only ıf all of the followıng condıtıons are met

- an asset ıs created that can be ıdentıfied,
- ıt ıs probable that the asset created wıll generate future economıc benefits, and
- the development cost of the asset can be measured relıably

Internally-generated ıntangıble assets are amortısed on a straıght-lıne basıs over theır useful lıves Where no ınternally-generated ıntangıble asset can be recognısed, development expendıture ıs recognısed as an expense wıthın technology and development costs ın the perıod ın whıch ıt ıs ıncurred

The company's prıce comparıson technology and product database ıs amortısed through cost of sales

Taxatıon

The tax expense represents the sum of the currently payable and deferred tax The tax currently payable ıs based on taxable profit for the perıod Taxable profit dıffers from net profit as reported ın the ıncome statement because ıt excludes ıtems of ıncome or expense that are taxable or deductıble The lıabılıty for the current tax ıs calculated usıng tax rates that have been enacted or substantıvely enacted by the balance sheet date

Deferred tax ıs the tax expected to be payable or recoverable on dıfferences between the carryıng amounts of assets and lıabılıtıes ın the financıal statements and the correspondıng tax basıs used ın the computatıon of taxable profit, and ıs accounted for usıng the balance sheet lıabılıty method Deferred tax lıabılıtıes are generally recognısed for all taxable temporary dıfferences that can be utılısed Such assets and lıabılıtıes are not recognısed ıf the temporary dıfferences arıse from goodwıll or from the ınıtıal recognıtıon (other than ın a busıness combınatıon) of other asset and lıabılıtıes ın a transactıon that affects neıther the taxable profit nor the accountıng profit

The carryıng amount of deferred tax assets ıs revıewed at each balance sheet date and reduced to the extent that ıt ıs no longer probable that suffıcıent taxable profits wıll be avaılable to allow all or part of the asset to be recovered

Deferred tax ıs calculated at the tax rates that are expected to apply ın the perıod when the lıabılıty ıs settled or the asset ıs realısed Deferred tax ıs charged or credıted ın the ıncome statement, except when ıt relates to ıtems charged or credıted dırectly to equıty, ın whıch case the deferred tax ıs also dealt wıth ın equıty

Deferred tax ıs recognısed ın respect of all tımıng dıfferences that have orıgınated but not reversed at the balance sheet date

Fınancıal ınstruments

ı Trade and other debtors

Trade and other debtors do not carry any ınterest and are stated at theır nomınal value as reduced by approprıate allowances for estımated recoverable amount

ıı Cash and cash equıvalents

Cash and cash equıvalents comprıse cash on hand and demand deposıts and other short-term hıghly lıquıd ınvestments that are readıly convertıble to a known amount of cash and are subject to an ınsıgnıficant rısk of changes ın value

Notes to the accounts
Year ended 31 January 2013

1. **Accounting policies (continued)**

iii Financial liabilities and equity

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

Adoption of new accounting standards and interpretations

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU)

IFRS/Amendment	Title	Application date of standard
IFRS 9	Financial Instruments And subsequent amendments to IFRS 9 and IFRS 7 issued 16 December 2011	1 January 2015
IFRS 10	Consolidated Financial Statements	1 January 2013
IFRS 11	Joint Arrangements	1 January 2013
IFRS 12	Disclosure of Interests in Other Entities	1 January 2013
IAS 27	Separate Financial Statements (2011)	1 January 2013
IAS 28	Investments in Associates and Joint Ventures (2011)	1 January 2013
IFRS 10, IFRS 11 and IAS 27 (amendments)	Investment Entities	1 January 2014
IAS 1 (amendments)	Presentation of Items of Other Comprehensive Income	1 July 2012
IAS 32 (amendments)	Offsetting financial assets and financial liabilities	1 January 2014
IAS 36 (amendments)	Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)	1January 2014
IAS 39 (amendments)	Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39 Financial Instruments Recognition and Measurement)	1 January 2014

The Directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the company's financial statements in future periods

Critical accounting judgements and key sources of estimation uncertainty

The following are the critical judgments that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements

Notes to the accounts
Year ended 31 January 2013

1. Accounting policies (continued)

i Revenue recognition

The Company estimates, using information available up to the point that the Directors approve the financial statements, the unbilled revenue receivable and records this as accrued revenues at the balance sheet date The accrued revenue is based on the commission due on orders that become active and invoiced after the year end

ii Share-based payment

The Company issues equity-settled payments to certain employees Equity-settled share-based payments are measured at fair value at the date of grant The fair value determined at the grant date is expensed over the vesting period, based on the estimates of shares that will eventually vest The vesting period is dependent on an exit event and as result it is re-estimated annually The estimated exit event has been revised from 3 to 5 years At the end of the fiscal year the vesting period is estimated to be 4 years The fair value is based on an estimated company valuation at the year end

iii Deferred tax recognition

The Company has recognised a deferred tax asset in respect of the temporary difference relating to tax losses and share-based payments as the directors believe that it is more likely than not that the asset will be recovered

2. Revenue

In the 2012/2013 financial year, the company's revenues are derived from the provision of services to consumers which result in new customers for which the company receives a commission Revenues are also derived the provision of the company's Software as a Service and Data & Analytics propositions

3. Employees and directors

Employment costs, including directors comprised

	2013 £	2012 £
Wages and salaries	1,722,457	1,107,740
Social security costs	186,914	126,358
Share-based payment expense	(63,662)	96,343
	1,845,709	1,330,441

In the year the share base payment has resulted in a credit as detailed in note 18

The average monthly number of employees during the period was as follows

	Numbers	Numbers
Directors	4	4
Marketing and technology	33	20
Selling	6	-
	43	24

Simplify Digital Limited

Notes to the accounts
Year ended 31 January 2013

3. Employees and directors (continued)

The remuneration of the directors was as follows:

	2013 £	2012 £
Salaries	347,083	246,937
Key management remuneration	347,083	246,937

The highest paid director received a total remuneration of £174,583 (2012 £127,130)

4. Finance income

	2013 £	2012 £
Deposit account interest	594	465
Corporation tax interest	9	24
Finance income	603	489

5. Profit/(loss) before tax

	2013 £	2012 £
The profit/(loss) before tax is stated after charging		
Staff costs	1,887,409	1,330,441
Hire of premises	140,467	110,646
Depreciation – owned assets	3,575	4,080
Development costs amortisation	19,368	26,645
Auditor's remuneration – audit services	27,000	22,000
Non-audit services – principally taxation	8,000	-

Notes to the accounts
Year ended 31 January 2013

6. Tax

a) Analysis of the tax charge recognised in the income statement

	2013 £	2011 £
Current tax	119	-
Current tax adjustment in respect in respect of prior years	-	(62,458)
Deferred tax credit	(725,960)	-
Total tax charge/(credit)	(725,841)	(62,458)

b) Reconciliation of total tax charge

The difference to an expected tax charge of £233,558 at 24 33% (2012 26 33%) is explained below

	2013 £	2012 £
Profit/(loss) on ordinary activities before tax	959,960	(11,372)
Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 24 33% (2012 26 33%)	233,558	(12,792)
Effects of		
Expenses not deductible for tax purposes	2,888	1,908
Utilisation of losses not recognised	(168,610)	-
Other temporary differences	(32,122)	-
Temporary differences not recognised	-	10,976
Claim for R&D tax credit	(35,595)	(62,551)
Recognition of deferred tax previously unrecognised	(725,960)	-
Total tax	(725,841)	(62,458)

The main rate of corporation tax has been reduced from 26% to 24% with effect from 1 April 2012 Accordingly current tax has been provided for at an effective rate of 24 33% in these financial statements

Legislation was passed in July 2012 to reduce the main rate of corporation tax from 24% to 23% Under IFRS, deferred tax is calculated at the tax rate that has been enacted or substantively enacted at the balance sheet date, hence the tax rate of 23% has been applied in the calculation of deferred tax

The UK government has announced further reductions to the main rate to 21% from 1 April 2014 and 20% from 1 April 2015 These reductions have not been substantively enacted at the balance sheet date and are therefore not reflected in these financial statements

c) Analysis of the tax charge recognised directly in equity

	2013 £	2012 £
Deferred tax credit to equity	(5,221)	-

Notes to the accounts
Year ended 31 January 2013

7. Intangible assets

	Development costs £
Cost	
At 1 February 2012	189,420
Additions	263,950
At 31 January 2013	453,370
Amortisation	
At 1 February 2012	184,650
Amortisation for year	19,368
At 31 January 2013	204,018
Net book value	
At 31 January 2012	4,770
At 31 January 2013	249,352

All intangible assets are internally generated Amortisation is charged so as to write off the cost over their estimated useful lives (3 to 5 years), using the straight-line method

Development costs have been capitalised in accordance with IAS 38 Intangible Assets and are therefore not treated, for dividend purposes, as a realised loss

8. Property, plant and equipment

	Computer equipment £
Cost	
At 1 February 2012	34,086
Additions	-
At 31 January 2013	34,086
Depreciation	
At 1 February 2012	28,307
Depreciation for year	3,575
At 31 January 2013	31,882
Net book value	
At 31 January 2012	5,779
At 31 January 2013	2,204

Notes to the accounts
Year ended 31 January 2013

9. Trade and other receivables

	2013 £	2012 £
Current		
Trade receivables	1,078,161	520,268
Accrued revenues	1,167,391	466,143
VAT	-	-
Prepayments	16,054	41,430
Other debtors	-	119,349
	2,261,606	1,147,190

There is no allowance for doubtful accounts as the Directors believe all trade receivables to be recoverable in full

Ageing of past due but not impaired receivables

	2013 £	2012 £
30 - 60 days	629,637	393,316
60 - 90 days	302,330	97,540
90 - 120 days	146,194	29,412
Total	1,078,161	520,268

10. Cash and cash equivalents

	2013 £	2012 £
Cash and bank balances	916,673	807,957

11. Trade and other payables

	2013 £	2012 £
Current		
Trade creditors	499,079	483,066
Accrued expenses	715,952	432,889
Deferred income	204,129	-
Other creditors	8,893	41,779
Social security and other taxes	90,957	84,531
VAT	170,714	148,317
	1,689,724	1,190,582

Under a debenture dated 6 November 2007 the bank has a fixed and floating charge over the Company's assets

Simplify Digital Limited

Notes to the accounts
Year ended 31 January 2013

12. Leasing commitments

Total lease payments under non-cancellable operating leases fall due as follows

	2013 £	2012 £
Within one year	283,550	-
	283,550	-

13. Financial instruments

a) Capital risk management

The company's objective when managing its capital is to safeguard its ability to continue as a going concern and to maintain an optimal capital structure to reduce the cost of capital The company is in the early stages of development and is currently funded by equity

b) Significant accounting policies

Details of the significant accounting policies and methods adopted, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, liability and equity are disclosed in note 1 Accounting policies

c) Categories of financial instruments

The following assets and liabilities at carrying values meet the definition of financial instruments and are classified according to the following categories

	Notes	2013 £	2012 £
Loans and receivables			
Deposits/cash	10	916,673	769,993
Trade receivables	9	1,078,161	495,056
Financial assets		1,994,834	1,265,049
Trade payables	11	499,079	483,066
Other payables	11	90,957	84,531
Financial liabilities		590,036	567,597

The fair value of financial assets and liabilities is not materially different from the book value recorded at 31 January 2013

Simplify Digital Limited

Notes to the accounts
Year ended 31 January 2013

13. **Fınancıal ınstruments (contınued)**

d) Fınancıal rısk management

The company's financıal assets and lıabılıtıes maınly comprıse cash and lıquıd resource and varıous ıtems, such as trade receıvables and payables that arıse dırectly from ıts operatıons

The maın rısks arısıng from the company's financıal ınstruments are market rısk (prımarıly exposure to changes ın the ınterest rate), lıquıdıty rısk and credıt rısk The Board revıews and agrees polıcıes for managıng each of these rısks, whıch are summarısed below

Market rısk - ınterest rate

The company finances ıts operatıons through equıty share capıtal and places funds raısed on deposıt to maxımıse short-term returns avaılable wıthın the framework of the company's lıquıdıty requırements

The ınterest rate avaılable to the company ıs based on 0 050% per annum over the Bank's base rate for ıts sterlıng accounts

Interest rate sensıtıvıty analysıs

The sensıtıvıty analysıs below has been determıned based on the company's exposure to ınterest rates on ıts cash deposıts, at balance sheet date

The table below demonstrates the sensıtıvıty to a one per cent change ın the ınterest rate, wıth all other varıables held constant, as thıs ıs management's assessment for the reasonably possıble change ın ınterest rates ın the short term

	Effect of change 2013 £
Profit before tax	£906,669
+1%	10
-1%	(10)

Other market rısks

The company ıs not exposed to other prıce rısk apart from ınterest rate

Credıt rısk

Credıt rısk refers to the rısk that a counterparty wıll default on ıts contractual oblıgatıons resultıng ın a financıal loss to the company The company's maxımum exposure to credıt rısk ıs as follows

	Notes	2013 £
Cash and cash equıvalents	10	916,673
Trade receıvables	9	1,078,161
		1,994,834

The carryıng amount of trade and other receıvables approxımates faır value wıth no concentratıon of credıt rısk, other than the funds on deposıt beıng all held wıth the company's bankers Barclays Bank PLC

13. Financial instruments (continued)

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board of Directors The company maintains adequate reserves, by continuously monitoring forecast and actual cash flows and matching the maturity profits of financial assets and liabilities

e) Maturity profile

The table below summarises the maturity profile of the company's undiscounted cashflows of the financial liabilities and the earliest date on which the company is required to pay

	Less than one year £	2013 £
Trade payables	499,079	499,079
Other payables	90,957	90,957
	590,036	590,036

14. Deferred tax

	Trading Losses £	Share-based payments £	Other temporary differences £	Total £
At 1 February 2012	-	-	-	-
Credit/(charge) to income	701,413	47,078	(22,531)	725,960
Credit to equity	-	5,221	-	5,221
At 31 February 20123	701,413	52,299	(22,531)	731,181

Deferred tax assets have been recognised at 31 January 2013 on the basis that management believe it to be probable that there will be suitable profit against which these assets can be utilised Deferred tax assets and liabilities are measured at the tax rate that is expected to apply in the period in which they reverse The rate enacted or substantively enacted for the relevant period of reversal is 23% as at January 2013

Notes to the accounts
Year ended 31 January 2013

15. Share capital

	2013	2012
	£	£
Authorised:		
2,600,000 ordinary shares of £ 001 each	2,600	2,600
Allotted, issued and fully paid:		
2,137,123 ordinary shares of £ 001 each	2,137	2,137

On 12 February 2007 shares were issued to the company's founders at par value of 0 1 pence per share

The first external financing round was issued at a premium of £1 57 per share on 1 April 2007 with 95,513 shares being taken up on this issue The second external financing round took place on 21st January 2008, when 458,462 shares were issued at a premium of £3 93 per share On 9 February 2009, the company finalised a third round of share issuance to investors at £3 93 per share, raising £1,000,146 in additional funds On 8 December 2009, the company finalised a fourth round of share issuance to investors at £4 39 per share, raising £750,005 in additional funds On 21 June 2010, a resolution was passed to increase the company's authorised share capital to 2,600,000 shares of £0 001 each and in July 2010 the company finalised a fifth round of share issuance to investors at £4 39 per share, raising £692,966 in additional funds

A warrant to subscribe for 35,000 ordinary shares at a price of 185 pence was issued to Mr J Botts on 27 September 2007

Details of share options issued in the period are set out in note 18

On 9 February 2009 a resolution was passed to increase the company's authorised share capital from 1,943,000 shares of £0 001 each to 2,150,00 shares of £0 001 each and on the 8 December 2009 another resolution was passed to increase the company's authorised share capital 2,300,000 shares of £0 001 each

A resolution was passed on 21 June 2010 to increase the company's authorised share capital to 2,600,000 shares of £0 001 each

16. Reserves

	Retained earnings	Share premium account	Totals
	£	£	£
At 1 February 2012	(3,539,551)	4,374,985	835,434
Premium on share issues	-	-	-
Cost of share issue	-	-	-
Profit for the period	1,685,801	-	1,685,801
Share-based payments	(52,198)	-	(52,198)
	(1,905,948)	4,374,985	2,471,174

17. Reconciliation of movements in shareholders' funds

	£
Profit for the financial period	1,682,801
Credit to retained earnings for share-based payments	49,198
Net addition to shareholders' funds	1,633,603
Opening shareholders' funds	837,571
Closing shareholders' funds	2,471,174

18. Share-based payment transactions

	Number of warrants Number	Weighted average exercise price £	Number of share options EMI Scheme Number	Weighted average exercise price SAYE £
Balance B/Fwd	35,185	1 85	157,151	0 766
Granted during the year	-	-	65,254	2 520
Lapsed during the year	-	-	(49,535)	0 506
Outstanding at 31 January 2013	35,185	1 85	172,870	1 506
Exercisable at 31 January 2013	-	-	-	-
Weighted average fair value of award granted during the year	2 7			(57,420)
Weighted average remaining contractual life (years)	Unlimited			2 9

The range of the exercise price for the share options outstanding is £0 001 to £4 39

The company recognised a total credit of £57,420 during the year related to equity-settled share-based payment transactions, including a £27,407 charge in relation to the Directors This credit is the result of a charge for the year of £110,767 and a credit from the change in the vesting period of £168,187

The directors have defined the fair value based on a price earnings valuation model A price earnings multiple for comparable companies of 13 85 was used and applied to profit in the current year The vesting period has been increased to 4 years

The directors have determined the fair value of the warrants by using a binomial model, assuming exercise no later than five years from issuance and a volatility of 45%

In November 2008, the directors introduced a quarterly stock option incentive programme related to company and personal performance for selected staff As at 31 January 2013 172,870 options had been granted

Notes to the accounts
Year ended 31 January 2013

19. Related party transactions

The remuneration of the directors, who are the key management personnel of the company, is set out in note 3

Mr C Ponsonby made a non-interest bearing loan available to the company to fund its initial expenses on 9 March 2007 On 16 November 2007 this loan was forgiven and was recorded as a capital contribution

Mr J Botts, the company's Chairman receives no fee for his services On 27 September 2007 Mr J Botts was granted warrants to subscribe for 35,000 ordinary shares

On 10 June 2008 Mr C Ponsonby and Mr L Bleach formed a company called Simplify Digital Systems Limited, this company was dormant during the period

In September 2012 a payment for £4,025 was made to Jenny Ponsonby in relationship to consulting services provided to the Company

20. Ultimate controlling party

The directors regard Mr C Ponsonby as the immediate and ultimate controlling party