Company Registration No. 6095563

Simplify Digital Limited

Report and Financial Statements

31 January 2016

Simplify Digital Limited

Report and financial statements 2016

Contents

Simplify Digital Limited

Report and financial statements 2016

Officers and professional advisers

Directors

P M Davis
M K Roy

Secretary

J H C Foo

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Solicitors

Osborne Clarke
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Bankers

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

Auditor

Deloitte LLP
Chartered Accountants
London

Simplify Digital Limited

Strategic report

The directors, in preparing this strategic report, have complied with s414C 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 retail capabilities to third party businesses and marketing partners via cloud-based 'Software as a Service' propositions. These capabilities, and the revenue streams generated by them have grown significantly over the year and are an important element of our ongoing business development and R&D activity.

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 18% revenue growth over the year, from £22,737,837 in 2014/15 to £26,860,250 in 2015/16. This increase reflects continued growth in the core Simplify Digital business, but also very encouraging growth with the partners using our software and infrastructure in their own operations – be they in store, online or in their own contact centres. We continue to pursue business development opportunities in all areas, and see plenty of growth potential in channels. Further, as the end consumer increasingly uses all these channels at various points in their purchasing journey, we remain uniquely placed to offer a truly omni-channel experience.

We continue to licence SaaS products to major telecom companies to improve the sales, retention, decisioning and analytics capabilities in their contact centres and head office management teams. Building on the R&D investment in 2014/15, we have continued to invest heavily in this area to create truly differentiated software to help service providers increase their effectiveness at the point of sale, or save.

During 2015 we also continued to invest in 'Voltz' - an innovative consumer facing mobile app to simplify the energy switching process. Over the course of 2015, the business model evolved to become revenue generating (a commission based model similar to the core digital switching business) enabling us to start adverting Voltz. Results have been very encouraging, with conversion rates and customer reviews given us reasons to believe our approach to utility switching also has a lot of potential.

Where appropriate, the costs of this R&D are capitalised and totalled £1,555,518 in 2015/16 (vs £1,164,097 in 2014/15).

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 revenue streams in their own right and will, the directors believe, become the major source of revenues over the year ahead.

Strategic report (continued)

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. Further, the increase in the number of transactions by our third-party retail SaaS partners has reduced the exposure to (marketing partner) concentration risk in own retail operation. 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.

One element of the Board's corporate governance agenda is the creation of Disaster Recovery plans. These cover our technical infrastructure as well as our outsourced contact centre operation, and reduce the risk associated with failure in either aspects.

Where possible, the company has 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.

By order of the board

M K Roy
Director
25 October 2016

Simplify Digital Limited

Directors' report

The directors present their report with the financial statements of the company for the year ended 31 January 2016.

Going concern and financing

Over 2015/16 revenues increased by 18% whilst total operating costs increased by 25% which together drove the company from an operating profit of £3,904,356 to an operating profit of £3,343,331. Profitability is expected to increase over 2016/17 as the potential identified in the core digital switching business, Voltz and SaaS areas materialises

No new funding was required during the year as the business is profitable and generating positive cash flow. In fact, on 27 March 2015, the directors passed a resolution that the capital of the company of £4,377,122 (comprising 2,137,123 ordinary shares of £0.001 each fully paid and the share premium account of £4,374,985) be reduced to £3,627,122 by cancelling part of the share premium account of the Company. The sum of £750,000 (being the sum cancelled by this resolution) was returned to the shareholders registered in the register of members of the Company as at the date of this resolution.

Further to the acquisition of the business by Dixons Carphone plc (see note 19 to the accounts), the company's cash management activities have been transferred to the Dixons Carphone Group treasury. The Directors of Dixons Carphone will make cash available as needed.

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 key factors underpinning their judgement are set out in keys risks and uncertainties in the strategic report. For this reason the directors continue to adopt the going concern basis in preparing the financial statements.

Dividends

No dividends will be distributed for the year ended 31 January 2016 (2014: £nil).

Post balance sheet event

On 31 March 2016, the company was sold to Dixons Carphone plc. Note 19 to the accounts provides the necessary detail.

Directors

The directors shown below have held office, unless otherwise noted, during the whole of the year ended of this report.

L J Bleach (Resigned 31 March 2016)
J C Botts (Resigned 31 March 2016)
C A L Ponsonby (Resigned 31 March 2016)
D J Lee (Resigned 31 March 2016)
J P Hornby (Resigned 31 March 2016)

P M Davis (Appointed 31 March 2016)
M K Roy (Appointed 31 March 2016)

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

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/she ought to have taken as a director in order to make himself/herself 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.

Directors' report (continued)

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 Sections 489 and 491 of the Companies Act 2006.

By order of the board

M K Roy
Director

25 October 2016

Simplify Digital Limited

Statement of 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 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and 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.

M K Roy
Director

25 October 2016

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 2016 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2016 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 and the strategic 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; or
- the directors were not entitled to take advantage of the small companies exemption in preparing the directors' Report.

William Touche (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
25th October 2016

Simplify Digital Limited

Income statement
Year ended 31 January 2016

	Notes	2016 £	2015 £
Revenue	2	26,860,250	22,737,837
Cost of sales		(18,929,330)	(14,762,288)
Gross profit		7,940,920	7,975,549
Marketing expenditure		(1,261,155)	(1,275,432)
Technology and development costs		(1,934,695)	(1,669,035)
Administrative expenses		(1,401,378)	(1,126,726)
Operating profit		3,343,692	3,904,356
Finance income	4	6,945	5,365
Profit before tax	5	3,350,637	3,909,721
Tax	6	(484,142)	(579,118)
Profit for the year		2,866,495	3,330,603

There was no other comprehensive income in the year ended 31 January 2016. All activities derive from continuing operations.

Simplify Digital Limited

Statement of financial position
At 31 January 2016

	Notes	2016 £	2015 £
Assets			
Non-current assets			
Intangible assets	7	2,619,020	1,609,495
Property, plant and equipment	8	167,288	10,765
Trade and other receivables		25,460	-
Deferred tax	13	253,322	8,389
		3,065,090	1,628,649
Current assets			
Trade and other receivables	9	5,086,322	4,865,612
Cash at bank and in hand	10	9,009,370	6,080,180
		14,095,692	10,945,792
Liabilities			
Current liabilities			
Trade and other payables	11	(6,176,626)	(4,371,168)
Current tax liability	6	(381,883)	(275,610)
		(6,558,509)	(4,646,778)
Net current assets		7,537,183	6,299,014
Net assets		10,602,273	7,927,663
Shareholders' equity			
Called up share capital	14	2,137	2,137
Share premium account	16	3,624,985	4,374,985
Retained earnings	16	6,975,151	3,550,541
Shareholders' equity		10,602,273	7,927,663

These financial statements were approved by the Board of directors on 25 October 2016 and signed on its behalf by:

Company number: 6095563

M K Roy
Director

Simplify Digital Limited

Statement of changes in equity
For the year ended 31 January 2016

	Notes	Called up share capital £	Share premium account £	Retained earnings £	Total equity £
Balance at 31 January 2014		2,137	4,374,985	111,590	4,488,712
Changes in equity					
Total comprehensive income		-	-	3,330,603	3,330,603
Share-based payment	17, 15	-	-	108,348	108,348
Balance at 31 January 2015		2,137	4,374,985	3,550,541	7,927,663
Changes in equity					
Total comprehensive income		-	(750,000)	2,866,495	2,116,495
Share-based payment	17, 15	-	-	558,115	558,115
Balance at 31 January 2016		2,137	3,624,985	6,975,151	10,602,273

Simplify Digital Limited

Cash flow statement
Year ended 31 January 2016

	Notes	2016 £	2015 £
Cash flows from operating activities			
Cash generated from operations	i	5,700,721	4,458,409
Income tax paid		(275,610)	-
Net cash inflow from operating activities		5,425,111	4,458,409
Cash flows from investing activities			
Capitalisation of development costs	7	(1,555,518)	(1,164,097)
Purchase of tangible fixed assets	8	(190,403)	(13,382)
Net cash outflows from investing activities		(1,745,921)	(1,177,479)
Cash flows from financing activities			
Reduction of share premium		(750,000)	-
		2,929,190	3,280,930
Increase in cash and cash equivalents		2,929,190	3,280,930
Cash and cash equivalents at beginning of period		6,080,180	2,799,249
Cash and cash equivalents at end of period	ii	9,009,370	6,080,180

Notes to the cash flow statement
Year ended 31 January 2016

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

	Notes	2016 £	2015 £
Profit before tax		3,350,637	3,909,721
Depreciation charges	8	33,880	3,757
Amortisation charges	7	545,993	366,605
Share-based payment expense	3	210,924	35,319
		4,141,434	4,314,402
Increase in trade and other receivables		(246,170)	(1,309,674)
Increase in trade and other payables		1,805,457	1,452,681
Cash generated by operations		5,700,721	4,458,409

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:

	2016 £	2015 £
Cash and cash equivalents	9,009,370	6,080,180

Notes to the accounts
Year ended 31 January 2016

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 at least 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 licence 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 price/earnings multiple of comparable companies.

Property, plant and equipment

Computer equipment for a value of up to £1,000 is recognised as an expense in the period in which it is incurred.

Tangible fixed assets are stated at historical cost less depreciation and any provision for impairment.

Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets over their expected useful lives, as follows:

Fixtures, fittings and equipment	50% per annum
Computer equipment	50% per annum
Leasehold improvements	in line with the length of the lease

Notes to the accounts
Year ended 31 January 2016

1. Accounting policies (continued)

Development costs – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from the company's development is recognised only if all of the following conditions are met:

- an asset is created that can be identified;
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Internally-generated intangible assets are amortised on a straight-line basis over their useful lives. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense within technology and development costs in the period in which it is incurred.

The company's price comparison technology and product database is amortised through cost of sales.

Taxation

The tax expense represents the sum of the currently payable and deferred tax. The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible. The liability for the current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences that can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from goodwill or from the initial recognition (other than in a business combination) of other asset and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Financial instruments

i. Trade and other debtors

Trade and other debtors do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated recoverable amount.

ii. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Simplify Digital Limited

Notes to the accounts
Year ended 31 January 2016

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, IAS 27 and IAS 28 (amendments)	Investment Entities	1 January 2014
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
IFRIC 21	Levies	1 January 2014
IFRS 15	Revenues from Contracts with Customers	1 January 2014
IFRS 16 and IAS 38 (amendment)	Clarification of Acceptable Methods of Depreciation and Amortization	1 January 2014
IAS 19 (amendment)	Defined Benefit Plans: Employee Contribution	1 January 2014
IAS 27 (amendment)	Equity Method in Separate Financial Statements	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.

Notes to the accounts
Year ended 31 January 2016

1. Accounting policies (continued)

Critical accounting judgements and key sources of estimation uncertainty

The following are the critical judgements 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:

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 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 2015/2016 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 from the provision of the company's Software as a Service and Data & Analytics propositions.

3. Employees and directors

Employment costs, including directors comprised:

	2016 £	2015 £
Wages and salaries	2,950,355	2,854,754
Social security costs	398,335	304,238
Share-based payment expense	210,924	35,319
	3,559,614	3,194,311

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

	Numbers	Numbers
Directors	5	5
Marketing and technology	61	60
Selling	39	30
	105	95

Simplify Digital Limited

Notes to the accounts
Year ended 31 January 2016

3. Employees and directors (continued)

The remuneration of the directors was as follows:

	2016	2015
	£	£
Salaries and bonus	333,125	574,925
Key management remuneration	333,125	574,925

The highest paid director received a total remuneration of £179,375 (2015: £318,875).

4. Finance income

	2016	2015
	£	£
Deposit account interest	9,416	5,365
Corporation tax interest	-	-
Finance income	9,416	5,635

5. Profit before tax

	2016	2015
	£	£
The profit before tax is stated after charging:		
Staff costs	3,559,615	3,194,311
Hire of premises	361,590	316,582
Depreciation – owned assets	33,880	3,757
Development costs amortisation	545,993	366,605
Auditor's remuneration – audit services	50,000	44,000
Non-audit services – principally taxation	48,070	65,000

Notes to the accounts
Year ended 31 January 2016

6. Tax

a) Analysis of the tax charge/(credit) recognised in the income statement

	2016 £	2015 £
Current tax	381,883	275,610
Deferred tax charge (note 13)	102,259	396,511
Deferred tax adjustment in respect of prior years (note 13)	-	(93,003)
Total tax charge/(credit)	484,142	579,118

b) Reconciliation of total tax charge

The difference to an expected tax charge of £545,939 at 20.2% (2015: 21.3%) is explained below:

	2016 £	2015 £
Profit on ordinary activities before tax	3,350,637	3,909,721
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20.2% (2015: 21.3%)	676,752	832,771
Effects of:		
Expenses not deductible for tax purposes	109,294	62,509
Effect of change of tax rate	(35,437)	(27,306)
Claim for R&D tax credit	(266,467)	(176,056)
Tax impact of share based payments	-	(19,797)
Prior year adjustments	-	(93,003)
Total	484,142	579,118

The main rate of corporation tax has been reduced from 21% to 20% with effect from 1 April 2015. Accordingly current tax has been provided for at an effective rate of 20.2% in these financial statements.

Reductions in the main rate of corporation tax to 19% from April 2017 and 18% from April 2020 have now also been substantively enacted.

The UK government has announced further reductions to the main rate to 17% from 1 April 2020.

c) Analysis of the tax credit recognised directly in equity

	2016 £	2015 £
Deferred tax credit to equity (note 13)	(347,192)	(73,029)

Notes to the accounts
Year ended 31 January 2016

7. Intangible assets

	Development costs £
Cost	
At 1 February 2015	2,372,411
Additions	1,555,518
At 31 January 2016	3,927,929
Amortisation	
At 1 February 2015	762,916
Amortisation for year	545,993
At 31 January 2016	1,308,909
Net book value	
At 31 January 2015	1,609,495
At 31 January 2016	2,619,020

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 2015	49,078
Additions	190,403
At 31 January 2016	239,481
Depreciation	
At 1 February 2015	38,313
Depreciation for year	33,880
At 31 January 2016	72,193
Net book value	
At 31 January 2015	10,765
At 31 January 2016	167,288

Notes to the accounts
Year ended 31 January 2016

9. Trade and other receivables

	2016 £	2015 £
Current:		
Trade receivables	3,063,919	3,143,133
Accrued revenues	1,983,891	1,675,796
Prepayments	38,512	46,683
	5,086,322	4,865,612

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:

	2016 £	2015 £
30 - 60 days	2,865,202	2,540,519
60 - 90 days	180,645	492,717
90 - 120 days	18,072	109,897
Total	3,063,919	3,143,133

10. Cash and cash equivalents

	2016 £	2015 £
Cash and bank balances	9,009,370	6,080,180

11. Trade and other payables

	2016 £	2015 £
Current:		
Trade creditors	3,448,141	1,618,204
Accrued expenses	2,165,858	2,224,290
Other creditors	10,050	9,036
Social security and other taxes	166,829	127,703
VAT	385,747	391,935
	6,176,625	4,371,168

Notes to the accounts
Year ended 31 January 2016

12. 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	2016 £	2015 £
Loans and receivables			
Deposits/cash	10	9,009,370	6,080,180
Trade receivables	9	3,063,919	3,143,133
Financial assets		12,073,289	9,223,313
Trade payables	11	3,448,141	1,618,204
Other payables	11	166,829	127,703
Financial liabilities		3,614,970	1,745,907

The fair value of financial assets and liabilities is not materially different from the book value recorded at 31 January 2016.

Notes to the accounts
Year ended 31 January 2016

12. Financial instruments (continued)

d) Financial risk management

The company's financial assets and liabilities mainly comprise cash and liquid resource and various items, such as trade receivables and payables that arise directly from its operations.

The main risks arising from the company's financial instruments are market risk (primarily exposure to changes in the interest rate), liquidity risk and credit risk. The Board reviews and agrees policies for managing each of these risks, which are summarised below.

Market risk - interest rate

The company finances its operations through equity share capital and places funds raised on deposit to maximise short-term returns available within the framework of the company's liquidity requirements.

The interest rate available to the company is based on 0.050% per annum over the Bank's base rate for its sterling accounts.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the company's exposure to interest rates on its cash deposits, at balance sheet date.

The table below demonstrates the sensitivity to a one per cent change in the interest rate, with all other variables held constant, as this is management's assessment for the reasonably possible change in interest rates in the short term.

	Effect of change 2016 £
Profit before tax	
+1%	90
-1%	(90)

Other market risks

The company is not exposed to other price risk apart from interest rate.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the company. The company's maximum exposure to credit risk is as follows:

	Notes	**2016 £**	**20164 £**
Trade receivables	9	3,063,919	3,143,133

The carrying amount of trade and other receivables approximates fair value with no concentration of credit risk, other than the funds on deposit being all held with the company's bankers Barclays Bank PLC.

Simplify Digital Limited

Notes to the accounts
Year ended 31 January 2016

12. 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 cash flows of the financial liabilities and the earliest date on which the company is required to pay:

	Less than one year £	2016 £
Trade payables	3,448,141	3,448,141
Other payables	166,829	166,829
	3,614,970	3,614,970

13. Deferred tax

	Trading Losses £	Share-based payments £	Other temporary differences £	Total £
At 31 January 2014	240,197	91,873	(93,202)	238,868
Prior year adjustment to deferred tax credit/(charge)	71,289	-	21,714	93,003
Credit/(charge) to income	(311,486)	27,320	(112,345)	(396,511)
Credit to equity	-	73,029	-	73,029
At 31 January 2015	-	192,222	(183,833)	8,389
Credit/(charge) to income	-	47,423	(149,681)	(102,259)
Credit to equity	-	347,192	-	347,192
At 31 January 2016	-	586,836	(333,514)	253,322

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply in the period in which they reverse. The current rate enacted is 18% as at January 2016 and deferred tax has been recognised using this rate unless the period in which reversal of the deferred tax position can be accurately forecast. The UK government has announced its intention to reduce the rate of UK corporation tax to 19% from 1 April 2017 and 18% from 1 April 2020 and these changes have been substantively enacted. The UK government has additional announced its intention to further reduce the tax rate of UK corporation tax rate to 17% from 1 April 2020 although this was not substantively enacted at the balance sheet date and has therefore not been reflected in these financial statements. Management does not expect these reductions in the corporation tax rate to materially affect the value of deferred tax assets/liabilities.

Notes to the accounts
Year ended 31 January 2016

14. Share capital

	2016 £	2015 £
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 21 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 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.

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 C Botts on 27 September 2007.

Details of share options issued in the period are set out in note 17.

15. Reserves

	Retained earnings £	Share premium account £	Totals £
At 1 February 2015	3,550,541	4,374,985	7,925,526
Profit for the year	2,866,495	-	2,866,495
Capital reduction	-	(750,000)	(750,000)
Share-based payments	558,115	-	558,115
	6,975,151	3,624,985	10,600,136

Simplify Digital Limited

Notes to the accounts
Year ended 31 January 2016

16. Reconciliation of movements in shareholders' funds

	£
Profit for the financial period	2,866,495
Credit to retained earnings for share-based payments	558,115
Capital reduction	(750,000)
Net addition to shareholders' funds	2,674,610
Opening shareholders' funds	7,927,663
Closing shareholders' funds	10,602,273

On 27 March 2015, the Directors passed a resolution that the capital of the Company of £4,377,122 (comprising 2,137,123 ordinary shares of £0.001 each fully paid and the share premium account of £4,374,985) be reduced to £3,627,122 by cancelling part of the share premium account of the Company. The sum of £750,000 (being the sum cancelled by this resolution) was returned to the shareholders registered in the register of members of the Company as at the date of this resolution.

17. 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	230,229	2.01
Granted during the year	-	-	15,500	-
Lapsed during the year	-	-	(2,304)	-
Outstanding at 31 January 2016	35,185	1.85	243,425	-
Exercisable at 31 January 2016	-	-	-	-
Weighted average fair value of award granted during the year				
Weighted average remaining contractual life (years)	Unlimited			

The range of the exercise price for the share options outstanding is £0.001 to £4.39.

The company recognised a total debit of £210,924 during the year related to equity-settled share-based payment transactions.

The directors have defined the fair value of £15.75.

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 2016 230,229 options had been granted.

Notes to the accounts
Year ended 31 January 2016

17. Related party transactions

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

18. Ultimate controlling party

The directors regard New CPW Limited as the immediate controlling party and Dixons Carphone plc as the ultimate controlling party.

19. Post balance sheet event

On 20 March 2016, an agreement was reached with New CPW Limited (registered in England and Wales with company number 07866062) whose registered office is at 1 Portal Way, London W3 6RS, to sell 100% of the Company equity. This transaction completed on the 31 March 2016.