

Company Registration No. 6095563

SIMPLIFY DIGITAL LIMITED

**Report and Financial Statements
For the period ended 29 April 2017**



**SIMPLIFY DIGITAL LIMITED
REPORT AND FINANCIAL STATEMENT 2017**

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**SIMPLIFY DIGITAL LIMITED
OFFICERS AND PROFESSIONAL ADVISORS**

DIRECTORS

The Directors who served throughout the period and subsequently (except as noted) are shown below.

	<u>Date of appointment</u>	<u>Date of resignation</u>
L J Bleach		31 March 2016
J C Botts		31 March 2016
C A L Ponsonby		31 March 2016
D J Lee		31 March 2016
J P Hornby		31 March 2016
P M Davis	31 March 2016	
M K Roy	31 March 2016	17 November 2017
J J Fennell	29 November 2017	

COMPANY SECRETARY

J H C Foo

REGISTERED OFFICE

1 Portal Way
London
W3 6RS
United Kingdom

BUSINESS ADDRESS

5th Floor, Landmark House
Hammersmith Bridge Road
Hammersmith
W6 9EJ
United Kingdom

AUDITOR

Deloitte LLP
Statutory Auditor
London
United Kingdom

SIMPLIFY DIGITAL LIMITED STRATEGIC REPORT

The Directors present their annual report and audited financial statements for the period ended 29 April 2017. The Directors, in preparing this Strategic Report, have complied with section 414C of the Companies Act 2006.

PRINCIPAL ACTIVITY

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, the Company 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 the Company 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.

The Company also provide retail capabilities to third party businesses and marketing partners via cloud-based 'Software as a Service' (SaaS) propositions.

In order to provide the SaaS propositions and to power the Company's own retail services, the Company focuses on the research and development of its own portfolio of platforms, frameworks, engines and applications.

As with other Dixons Carphone plc group companies the accounts are made up to the 29th April, the final Saturday in the accounting period.

BUSINESS REVIEW

The Company delivered strong revenue growth during the period with revenue growing from £26.9 million in 2015/16 to £51.0 million for the 15 months to 29 April 2017 (52% growth on an annualised basis). The increase in revenues was largely driven by the increase in in-store sales within Carphone Warehouse and Currys PC World, as well as continued growth in the core Simplify Digital business.

The Company remains soundly profitable, with profit before tax for the period of £5.315 million compared to £3.351 million in 2015/16 (27% growth on an annualised basis).

During the period the Company was acquired by Dixons Carphone plc. In order to align the company's financial reporting with the wider group the financial year end has been changed from 31 January to 29 April.

FUTURE DEVELOPMENTS

The Directors believe the prospects for the business continue to be strong with the multi-play proposition being a key area of focus for the wider Dixons Carphone group. This focus on the success of the in-store proposition, along with the continued commitment to the core Simplify Digital business, as well as the growing energy switching operation, provides sound foundations for the future of the Company.

SIMPLIFY DIGITAL LIMITED STRATEGIC REPORT (CONTINUED)

KEY PERFORMANCE INDICATORS

What we measure	Why we measure	Our performance*	
		2017 £'000	2016 £'000
Revenue	The ability to grow revenue is an important measure of a brand's appeal to customers and its competitive position.	40,808	26,870
Year on Year Revenue Growth	The ability to grow revenue is an important measure of a brand's appeal to customers and its competitive position.	52%	18%
EBIT	Continued growth of headline EBIT enables the Company to invest in its future and provide a return for shareholders	4,151	3,344
Profit before tax	Continued growth of Headline profit before tax represents a measure of Company performance to external investors and stakeholders against our strategic priorities.	4,253	3,351
Return on Capital Employed (ROCE)	ROCE is a key measure of the efficiency of the capital invested by the Company and the long-term value created for our stakeholders	34%	32%

*Figures used for 2017 have been annualized from 15 months to enable a more appropriate comparison.

PRINCIPAL RISKS TO ACHIEVING THE COMPANY'S OBJECTIVES

The Company recognises that taking risks is an inherent part of doing business and that competitive advantage can be gained through effectively managing risk. The Company continues to develop robust risk management processes, integrating risk management into business decision making.

The principal risks and uncertainties, together with their impacts, are set out in the tables below along with an illustration of what is being done to mitigate them.

Specific Risks and Potential Impacts

Principal Risk	Specific Risks	Potential Impacts
1. Dependence on key customers	<ul style="list-style-type: none"> The Company is dependent on a small number of key customers whose own business performance is important to the success of the Company. 	<ul style="list-style-type: none"> Reduced revenue and profitability Deteriorating cash flow Reduced market share
2. Dependence on key suppliers	<ul style="list-style-type: none"> The Company is dependent on relationships with key suppliers to provide services which would be hard to replace in the short-term. 	<ul style="list-style-type: none"> Reduced revenue and profitability Deteriorating cash flow Reduced market share
3. Consumer environment and sustainable business model	<ul style="list-style-type: none"> Failure to respond with a business model that enables the business to compete with competitors in a changing economy. Failure to respond effectively to changes in the industry, economic and / or competitor landscape. Failure to accommodate changes in consumer preferences and behaviours. 	<ul style="list-style-type: none"> Reduced revenue and profitability Deteriorating cash flow Reduced market share

SIMPLIFY DIGITAL LIMITED STRATEGIC REPORT (CONTINUED)

Specific Risks and Potential Impacts (Continued)

Principal Risk	Specific Risks	Potential Impacts
4. IT systems and infrastructure	<ul style="list-style-type: none"> Failure to invest adequately and appropriately in IT systems and infrastructure, or an inability to effectively integrate IT assets across the Company constrains the Company's ability to grow and / or adapt quickly A key system becomes unavailable for a period of time 	<ul style="list-style-type: none"> Reduced revenue and profitability Deteriorating cash flow Loss of competitive advantage Restricted growth and adaptability Reputational damage
5. Information security	<ul style="list-style-type: none"> Major loss of customer, colleague, or business sensitive data Vulnerability to attack, malware, and associated cyber risks owing to under investment in people, systems, and safeguarding processes 	<ul style="list-style-type: none"> Reputational damage Financial penalties Reduced revenue and profitability Deteriorating cash flow Loss of competitive advantage
6. Colleague retention and capability	<ul style="list-style-type: none"> Failure to attract, develop and retain quality and depth of necessary skills, leadership and management talent across all levels of the business. 	<ul style="list-style-type: none"> Reputational damage Reduced revenue and profitability Deteriorating cash flow Loss of competitive advantage
7. Business continuity plans are not effective and major incident response is inadequate	<ul style="list-style-type: none"> A major incident impacts the Company's ability to trade and business continuity plans are not effective resulting in an inadequate incident response. 	<ul style="list-style-type: none"> Reduced revenue and profitability Deteriorating cash flow Reputational damage Loss of competitive advantage

Specific Risks and Mitigating Actions

Principal Risk	Example Mitigating Actions	Related Strategic Priorities
1. Dependence on key customers	<ul style="list-style-type: none"> Where possible the Company negotiates longer term agreements with key customers. 	<ul style="list-style-type: none"> Sustainable business model geared for continued growth and increased market share.
2. Dependence on key suppliers	<ul style="list-style-type: none"> Where possible the Company has entered into longer-term contracts with key suppliers and marketing partners. 	<ul style="list-style-type: none"> Sustainable business model geared for continued growth and increased market share.
3. Consumer environment and sustainable business model	<ul style="list-style-type: none"> Strategic and business planning takes into account varying economic scenarios, with on-going monitoring by finance and senior management Close scrutiny of performance, trading results, competitor activity and market share Use of customer insight / advocacy to monitor success of initiatives and actions Continued focus on driving cost improvements through cost-efficiency initiatives Differentiation from competitors through strategic partner relationships, innovative propositions, and high quality customer service 	<ul style="list-style-type: none"> Sustainable business model geared for continued growth and increased market share.
4. IT systems and infrastructure	<ul style="list-style-type: none"> Significant investment being made in IT systems and infrastructure, supported by rigorous testing processes Individual system recovery plans in place in the event of failure which are tested regularly, with full recovery infrastructure available for critical systems. 	<ul style="list-style-type: none"> Sustainable business model geared for continued growth and increased market share.

SIMPLIFY DIGITAL LIMITED STRATEGIC REPORT (CONTINUED)

Specific Risks and Mitigating Actions (Continued)

Principal Risk	Example Mitigating Actions	Related Strategic Priorities
5. Information security	<ul style="list-style-type: none">• Implementation of an Information Security Improvement Plan• Investment in information security safeguards, IT security controls, monitoring, in-house expertise and resources• Committee comprising senior management in, set up with responsibility for oversight, co-ordination and monitoring of information security policy and risk• On-going training and awareness programmes for employees• On-going programme of penetration testing	<ul style="list-style-type: none">• Sustainable business model geared for continued growth and increased market share.
6. Colleague retention and capability	<ul style="list-style-type: none">• On-going review to ensure appropriate and effective roles, responsibilities, and accountabilities• Defined and standardised performance management frameworks in place, with talent and succession plans maintained and reward aligned to attract and retain the best talent• Bonus plans which include components relating to both business and personal performance• Continued improvements in the quality of training courses and development programmes with specialist focus on core business areas	<ul style="list-style-type: none">• Sustainable business model geared for continued growth and increased market share.
7. Business continuity plans are not effective and major incident response is inadequate	<ul style="list-style-type: none">• Business continuity and crisis management plans in place and tested for key business locations• Disaster recovery plans in place and tested for key IT systems and data centres• Crisis team appointed to manage response to significant events• Major risks insured	<ul style="list-style-type: none">• Sustainable business model geared for continued growth and increased market share.

Approved by the Board and authorised for issue and signed on behalf of the Board by:



P M Davis

Director

12/12 2017

Registered office:

1 Portal Way

London

W3 6RS

Registered number: 6095563

SIMPLIFY DIGITAL LIMITED DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the period ended 29 April 2017.

RESULTS AND DIVIDENDS

The profit for the 15 month period after taxation was £4.9 million (2016: £2.9 million). The Directors recommend that no dividend be paid (2016: £nil).

FUNDING

No new funding was required during the year as the business is both profitable and generating positive cash flow. The surplus cash generated by the business is loaned to the ultimate parent company Dixons Carphone plc and can be called upon if required; the balance of the loan receivable at year end was £11.2 million.

GOING CONCERN

The financial statements are prepared under the going concern basis as the Company has received commitments from its ultimate parent company that it will provide financial support if required to ensure that the company can meet its liabilities as they fall due.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operation for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements."

DIRECTORS

The Directors who served throughout the period and subsequently (except as noted) are shown on page 1.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

Pursuant to Article 26 of the Articles of Association, the directors, secretary and other officers of the Company are entitled to be indemnified by the Company out of its own funds against liabilities arising from the conduct of the Company's business to the extent permitted by law. Appropriate directors' and officers' liability insurance cover has been purchased which in general terms indemnifies individual directors' and officers' personal legal liability and costs for claims arising out of actions taken in connection with the Company's business.

CAPITAL STRUCTURE

The Company's only class of share is ordinary shares. All ordinary shares are held by the Company's parent company, Dixons Carphone Holdings Limited. Details of the issued share capital during the year are provided in note 12 to the Financial Statements.

USE OF FINANCIAL INSTRUMENTS

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments. Information on the use of financial instruments can be found in the annual report and financial statements for Dixons Carphone plc.

SIMPLIFY DIGITAL LIMITED DIRECTORS' REPORT (CONTINUED)

FINANCIAL RISK MANAGEMENT

Due to the nature of the Company's business and the assets and liabilities contained within the Company's balance sheet the main financial risks the Directors consider relevant to the Company are credit risk and liquidity risk.

Credit risk

Credit risk is the risk of financial loss to the Company if a counterparty fails to meet its contractual obligations. The Company's principal financial assets are bank balances and trade and other receivables.

The Company's trade receivables are primarily balances due from TV, broadband and home phone providers, which are generally major multi-national enterprises with whom the Company has well-established relationships and are consequently not considered to add significantly to the Company's credit risk exposure.

Other receivables are primarily due from other Group companies, including a loan receivable from the Company's ultimate parent Dixons Carphone plc, and are not considered to be a risk.

The Company's bank balances and cash are centrally pooled with other subsidiaries of Dixons Carphone plc. The credit risk on these centrally pooled bank and cash balances is limited as the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Liquidity risk

Funding for all subsidiaries of Dixons Carphone plc, including the Company, is arranged centrally. In order to ensure that sufficient funds are available for ongoing operations and future developments, Dixons Carphone plc has multi-currency revolving credit facilities of £1,050million, £250million of which matures in October 2020 with the remaining £800million maturing in October 2021.

RESEARCH AND DEVELOPMENT

The Company capitalised £1.6 million of development costs for the period up to 29 April 2017 (2016: £1.6 million).

EMPLOYEES

The Company places emphasis on its employees' involvement in the business at all levels. Managers are remunerated according to results wherever possible and all employees are kept informed of issues affecting the Company through formal and informal meetings and through the Company's intranet.

It is the Company's policy to assist the employment of disabled people, their training and career development, having regard to particular aptitudes and abilities. Every endeavour is made to find suitable alternative employment and to re-train any employee who becomes disabled while serving the Company.

ENVIRONMENT

A full analysis of the key regulatory and social risks of the industry in which Dixons Carphone plc Group operates is described in the Group's Annual Report, which does not form part of this Report. As a subsidiary entity, the Company operates in accordance with group policies.

SUBSEQUENT EVENTS

There are no post balance sheet events at the date of approval of this report.

SIMPLIFY DIGITAL LIMITED DIRECTORS' REPORT (CONTINUED)

AUDITOR AND DISCLOSURE OF INFORMATION TO THE AUDITOR

Deloitte LLP has indicated their willingness to be appointed for another term and appropriate arrangements are being made for them to be deemed reappointed as auditor in the absence of an Annual General meeting. In accordance with the provisions of Section 418 of the Companies Act 2006, each of the directors at the date of approval of this report confirms that, to the best of their knowledge and belief, and having made appropriate enquiries of other officers of the Company:

- so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- they have taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

SIMPLIFY DIGITAL LIMITED STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- follow applicable UK Accounting Standards, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are 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.

Approved by the Board and authorised for issue and signed on behalf of the Board by:



P M Davis

Director

12/12/2017

Registered office:

1 Portal Way

London

W3 6RS

Registered number: 6095563

SIMPLIFY DIGITAL LIMITED

INDEPENDENT AUDITOR'S REPORT

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

We have audited the financial statements of Simplify Digital Limited for the period from 1st February 2016 to 29 April 2017 which comprise the income statement, the balance sheet, the statement of changes in equity, and the related notes 1 to 16. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, 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 29 April 2017 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report.

**SIMPLIFY DIGITAL LIMITED
INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

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.

Kevin Thompson

Kevin Thompson (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

12/12 2017

SIMPLIFY DIGITAL LIMITED
INCOME STATEMENT
For the period ended 29 April 2017

	Note	Period ended 29 April 2017 £'000	Year ended 31 January 2016 £'000
Turnover	2	51,010	26,870
Cost of sales		(37,775)	(18,929)
Gross profit		13,235	7,941
Marketing expenses		(2,288)	(1,261)
Technology and development expenses		(3,154)	(1,935)
Administrative expenses		(2,605)	(1,401)
Profit before interest and tax		5,188	3,344
Finance income	4	127	7
Profit before tax	5	5,315	3,351
Tax	6	(443)	(484)
Profit for the year attributable to equity shareholders of the company		4,872	2,866

There was no other comprehensive income in the period ended 29 April 2017 and therefore no separate Statement of Comprehensive Income has been prepared. All activities derive from continuing operations.

SIMPLIFY DIGITAL LIMITED
BALANCE SHEET
As at 29 April 2017

	Note	29 April 2017 £'000	31 January 2016 £'000
Fixed Assets			
Intangible assets	7	2,993	2,619
Property, plant and equipment	8	137	167
Trade and other receivables		-	25
Deferred tax	6b	175	253
		<u>3,305</u>	<u>3,065</u>
Current assets			
Trade and other receivables	9	20,977	5,086
Cash and cash equivalents	10	1,829	9,009
		<u>22,806</u>	<u>14,096</u>
Total Assets		<u>26,111</u>	<u>17,161</u>
Current Liabilities			
Trade and other payables	11	(10,021)	(6,177)
Current tax liability	6	(785)	(382)
		<u>(10,806)</u>	<u>(6,559)</u>
Net current assets		<u>12,000</u>	<u>7,537</u>
Total assets less current liabilities		<u>15,305</u>	<u>10,602</u>
Total liabilities		<u>(10,806)</u>	<u>(6,559)</u>
Net assets		<u>15,305</u>	<u>10,602</u>
Capital and reserves			
Share capital	12	2	2
Share premium account	13	4,171	3,625
Retained earnings	13	11,132	6,975
Total equity		<u>15,305</u>	<u>10,602</u>

These financial statements of Simplify Digital Limited (registered number 6095563) were approved and authorised for issue by the Board of directors on 12/12/2017 and signed on its behalf by:



P M Davis
 Director

Registered number: 6095563

SIMPLIFY DIGITAL LIMITED
STATEMENT OF CHANGES IN EQUITY
For the period ended 29 April 2017

	Note	Share capital £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
At 1 February 2015		2	4,375	3,551	7,928
Total comprehensive income		-		2,866	2,866
Share-based payments	13,14	-	-	558	558
Capital reduction			(750)		(750)
At 31 January 2016		2	3,625	6,975	10,602
Total comprehensive income		-	-	4,872	4,872
Share-based payment	13,14	-	-	244	244
Deferred Tax Charge	6	-	-	(420)	(420)
Consideration for stock options	13	-	546	-	546
Capital repayment	13	-	-	(539)	(539)
At 29 April 2017		2	4,171	11,132	15,305

SIMPLIFY DIGITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

1.1 Basis of preparation and general information

The Company is a private limited company, by shares, incorporated under the Companies Act 2006 in the United Kingdom. The Company is domiciled in the United Kingdom and registered in England and Wales with its registered office at 1 Portal Way, London, W3 6RS.

The financial statements have been presented in UK Sterling, the functional currency of the Company, and on the historical cost basis except for the revaluation of certain financial instruments, as explained in the accounting policies notes below.

The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 (FRS 100) 'Application of Financial Reporting Requirements' issued by the Financial Reporting Council (FRC), and is exempt from the obligation to prepare and deliver group accounts.

Accordingly, the financial statements have therefore been prepared in accordance with FRS 101 'Reduced Disclosure Framework' as issued by the FRC, incorporating the Amendments to FRS 101 issued by the FRC in July 2015 other than those relating to legal changes and has not applied the amendments to Company law made by The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015 that are effective for accounting periods beginning on or after 1 January 2016.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, impairment of assets and related party transactions.

1.2 Going concern

The financial statements are prepared under the going concern basis as the Company has received commitments from its ultimate parent company that it will provide financial support if required to ensure that the company can meet its liabilities as they fall due.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operation for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements."

1.3 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.

1.4 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.

SIMPLIFY DIGITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1.5 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.

1.6 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

1.7 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.

1.8 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

SIMPLIFY DIGITAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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.

1.9 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.
- 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.

1.10 Adoption of new accounting standards and interpretations

There are no new accounting standards, amendments to standards or IFRIC interpretations which are effective for the Company for the first time during the current financial period which have had an impact on the Company's results or net assets.

1.11 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.

SIMPLIFY DIGITAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS

2. REVENUE

For the 15 month period ended 29 April 2017, 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.

An analysis of the Company's revenue is as follows:

Revenue Type	2017 £'000	2016 £'000
Commission	50,133	26,119
Software as a Service	877	751
	<u>51,010</u>	<u>26,870</u>

All revenues are earned within the Company's domestic market, the United Kingdom.

3. EMPLOYEES AND DIRECTORS

Employment costs, including directors comprised:

	2017 £'000	2016 £'000
Wages and salaries	5,445	2,950
Social security costs	840	398
Share-based payment expense	244	211
	<u>6,529</u>	<u>3,559</u>

Monthly average number of employees during the period was as follows:

	2017 Number	2016 Number
Directors	2	5
Administration	7	7
Marketing and technology	63	61
Selling	55	39
	<u>127</u>	<u>112</u>

Remuneration of the directors was as follows:

	2017 £'000	2016 £'000
Emoluments	<u>794</u>	<u>333</u>

Remuneration of the highest paid director was as follows:

	2017 £'000	2016 £'000
Emoluments	<u>433</u>	<u>179</u>

**SIMPLIFY DIGITAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS**

4. FINANCE INCOME

	2017 £'000	2016 £'000
Bank interest	5	9
Interest from group loan	122	-
	<hr/>	<hr/>
Finance income	127	9
	<hr/> <hr/>	<hr/> <hr/>

5. PROFIT BEFORE TAX

	2017 £'000	2016 £'000
The profit before tax is stated after charging:		
Staff costs	6,528	3,560
Hire of premises	321	362
Depreciation – owned assets	169	34
Development costs amortisation	1,180	546
Auditor's remuneration – for the financial statements	45	50
Auditor's remuneration – non-audit services	166	48
	<hr/> <hr/>	<hr/> <hr/>

SIMPLIFY DIGITAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS

6. TAX

(a) Income tax expense

	2017 £'000	2016 £'000
Current tax (i)	785	382
Total current tax charge	785	382
Deferred Tax		
Origination and reversal of timing differences	(342)	102
Adjustments in respect of prior periods	-	-
Total deferred tax (credit)/charge	(342)	102
Total tax charge	443	484

- (i) The corporation tax rate for the period was 20% up to 31 March 2017, and 19% thereafter (2016: 20%).

A reconciliation of notional to actual income tax expense is set out below:

	2017 £'000	2016 £'000
Profit before tax	5,316	3,351
Profit multiplied by the standard rate of corporation tax in the UK of 19.92% (2016: 20.2%)	1,059	677
Effects of:		
Other items attracting no tax relief of liability	(666)	109
Adjustments to deferred tax in respect of tax rate change	51	(35)
Claim for Research & Development tax credit	-	(266)
Tax charge for the period	443	484

SIMPLIFY DIGITAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS

6. TAX (continued)
(b) Deferred Tax

	Trading Losses £'000	Share-based payments £'000	Other temporary differences £'000	Total £'000
At 31 January 2015	-	192	(183)	9
Credited /(Charged) to the income statement	-	47	(150)	(103)
Credit to equity	-	347	-	347
At 31 January 2016	-	587	(334)	253
(Charge)/Credit to income	-	(167)	508	342
Charge to equity	-	(420)	-	(420)
At 29 April 2017	-	-	175	175

The Finance (No.2) Act 2015, which was substantively enacted on 26 October 2015, has set the corporation tax rate at 19% from 1 April 2017 and 18% effective from 1 April 2020. Finance Bill 2016 has reduced the rate further from 1 April 2020 to 17%, but this has not been substantively enacted at the balance sheet date. Deferred tax balances have been recognised at the rate of 18%.

SIMPLIFY DIGITAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS

7. INTANGIBLE ASSETS

	Software (internally generated) £'000	Total £'000
Cost		
At 31 January 2016	3,928	3,928
Additions	1,554	1,554
Disposals	-	-
At 29 April 2017	5,482	5,482
Amortisation		
At 31 January 2016	1,309	1,309
Charge for the period	1,180	1,180
Disposals	-	-
At 29 April 2017	2,489	2,489
Net book value at 29 April 2017	2,993	2,993
Net book value at 31 January 2016	2,619	2,619

All intangible assets are internally generated. Amortisation is charged so as to write off the cost over their estimated useful lives (three to five 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

	Land and buildings £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost			
At 31 January 2016	156	83	239
Additions	-	138	138
Disposals	-	-	-
At 29 April 2017	156	221	377
Depreciation			
At 31 January 2016	13	59	72
Charge for the period	98	70	169
Disposals	-	-	-
At 29 April 2017	111	129	241
Net book value at 29 April 2017	45	92	137
Net book value at 31 January 2016	143	24	167

SIMPLIFY DIGITAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS

9. TRADE AND OTHER RECEIVABLES

	2017	2016
	£'000	£'000
Current:		
Trade receivables	4,668	3,064
Amounts due from other group undertakings	11,903	-
Accrued income	4,093	1,983
Prepayments	313	39
	<u>20,977</u>	<u>5,086</u>

Amounts due from other group undertakings above includes amounts receivables from other group companies, which are repayable on demand, and on which no interest is payable.

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:

	2017	2016
	£'000	£'000
0 – 60 days	4,392	2,865
61 - 90 days	187	181
91 - 120 days	20	18
Older	69	-
Total	<u>4,668</u>	<u>3,064</u>

10. CASH AND CASH EQUIVALENTS

	2017	2016
	£'000	£'000
Cash at bank	<u>1,829</u>	<u>9,009</u>

During the year surplus funds were loaned to Dixons Carphone plc, the ultimate controlling entity (please see note 9, amounts due from other group undertakings).

SIMPLIFY DIGITAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS

11. TRADE AND OTHER PAYABLES

	2017	2016
	£'000	£'000
<i>Current:</i>		
Trade creditors	3,324	3,448
Amount due to other group undertakings	4,895	-
Accruals	1,303	2,166
Other creditors	-	10
Social security and other taxes	185	167
VAT	313	386
	<u>10,021</u>	<u>6,177</u>

Amounts due to other group undertakings above includes amounts payable to other group companies, which are payable on demand, and on which no interest is payable.

12. SHARE CAPITAL

Called up share capital

	2017	2016
	£'000	£'000
Authorised		
2,600,000 ordinary shares of £.001 each (2016: 2,600,000 ordinary shares of £0.01 each)	3	3
	<u> </u>	<u> </u>
Allotted and fully paid		
2,415,548 ordinary shares of £.001 each (2016: 2,137,123 ordinary shares of £0.01 each)	2	2
	<u> </u>	<u> </u>

On 31 March 2016 278,425 shares were issued on the exercise of options and warrants, with a total nominal value of £278.

No further share options were issued during the period.

SIMPLIFY DIGITAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS

13. RESERVES

	Retained earnings £'000	Share premium account £'000	Totals £'000
At 1 February 2016	6,975	3,625	10,600
Profit for the period	4,872	-	4,872
Capital repayment	(539)	-	(539)
Consideration for stock options	-	546	546
Share-based payments	(176)	-	(176)
	11,132	4,171	15,303

On 14 March 2016 a special resolution was passed to make a one-off capital repayment of £539,000 to C A L Ponsonby to pay back a long term loan which was previously written off.

On 31 March 2016 £545,984 was received in consideration for the exercise of share options and warrants, the exercise of which was triggered by the sale of Simplify Digital Ltd to Dixons Carphone plc.

The £176,000 share-based payment credit to retained earnings is the net of the remuneration expense of £244,000 and the £420,000 deferred tax credit.

SIMPLIFY DIGITAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS

14. SHARE-BASED PAYMENTS

	Number of warrants Number	Weighted average exercise price £	Number of share options EMI Scheme Number	Weighted average exercise price SAYE £
Balance 1 February 2016	35,185	1.85	243,425	-
Granted during the period	-	-	-	-
Lapsed during the period	185	-	-	-
Exercised during the period	35,000	1.85	243,425	1.98
Outstanding at 29 April 2017	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Exercisable at 29 April 2017	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Weighted average fair value of award granted during the year	-			
Weighted average remaining contractual life (years)	-			

During the period all warrants and share options were exercised during the sale of the Company to Dixons Carphone plc. There are no warrants or options outstanding as at 29 April 2017.

The Company recognised a total debit of £244,007 during the year related to equity-settled share-based payment transactions.

During the period five Directors exercised share options in the Company, with all shares being sold during the sale of the Company to Dixons Carphone plc.

**SIMPLIFY DIGITAL LIMITED
NOTES TO THE FINANCIAL STATEMENTS**

15. RELATED PARTY TRANSACTIONS

Directors' remuneration

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

Group Intercompany Trading

Sales of goods / purchases made to related parties were made at market price discounted to reflect the nature of the transaction and the relationship between the parties.

Outstanding receivable from related parties

	2017	2016
	£'000	£'000
Net Receivable from other Dixons Carphone plc group companies	7,008	-

16. ULTIMATE CONTROLLING ENTITY

The Company's immediate parent and controlling entity is Dixons Carphone Holdings Limited, a company incorporated in the United Kingdom.

The Company's ultimate parent and controlling entity is Dixons Carphone plc, a company incorporated in the United Kingdom and which is registered in England and Wales. Dixons Carphone plc is the largest and smallest group which includes the Company and for which consolidated financial statements are prepared. Copies of its financial statements may be obtained from its registered office at 1 Portal Way, London W3 6RS.