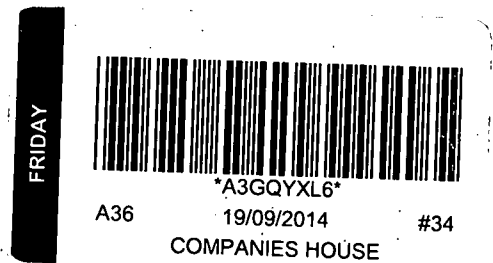


Company Registration No. 6095563

Simplify Digital Limited

Report and Financial Statements

31 January 2014



Simplify Digital Limited

Report and financial statements 2014

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Simplify Digital Limited

Report and financial statements 2014

Officers and professional advisers

Directors

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

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

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 comparison and/or 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, are an increasingly important aspect of the business and remain the focus for much of the R&D spend, and business development activities.

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 £7,064,459 in 2012/13 to £15,518,740 in 2013/14.

This reflects the success of a clear strategy to develop our proprietary comparison-sales platform. This technology platform is used by our growing Simplifydigital 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. We are also investing in consumer apps. Where appropriate, the costs of this R&D are capitalised and totalled £754,944 in 2013/14 (vs £263,950 in 2012/13)

The higher sales volumes and revenues enabled us to move from a gross profit of £3,856,887 in 2012/13 to a gross profit of £5,904,302 in 2013/14 – an increase of 53% and from a net profit of £959,960 to a net profit of £2,356,640.

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.

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.

Simplify Digital Limited

Strategic report

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



L J Bleach
Secretary

4th Sept 2014

Simplify Digital Limited

Directors' report

The Directors present their report with the financial statements of the company for the year ended 31 January 2014. 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.

Going concern and financing

Over 2013/14 revenues increased by 119% whilst total operating costs increased by only 115% which together drove the company from an operating profit of £959,358 to an operating profit of £2,354,592. Profitability is expected to increase over 2014/15 as the full year positive impact of activities launched late in 2013/14 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.

Dividends

No dividends will be distributed for the year ended 31 January 2014 (2013:£nil).

Directors and their interests

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

L J Bleach
J C Botts
C A L Ponsonby
D J Lee
J P Hornby (appointed 30th July 2013)

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%
J P Hornby	0.0%

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 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.

Simplify Digital Limited

Directors' report

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

4th Sept 2014

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 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.



L J Bleach
Secretary

4th Sept 2014

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 2014 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 2014 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.

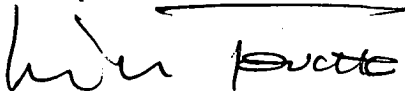
Opinion on other matter prescribed by Companies Act 2006

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

4th September 2014

Simplify Digital Limited

Income statement Year ended 31 January 2014

	Notes	2014 £	2013 £
Revenue	2	15,518,740	7,064,459
Cost of sales		(9,614,438)	(3,207,572)
Gross profit		<u>5,904,302</u>	<u>3,856,887</u>
Marketing expenditure		(1,353,333)	(1,413,236)
Technology and development costs		(1,224,300)	(585,065)
Administrative expenses		(972,077)	(899,228)
Operating profit		<u>2,354,592</u>	<u>959,358</u>
Finance income	4	2,048	602
Profit before tax	5	<u>2,356,640</u>	<u>959,960</u>
Tax	6	(509,443)	725,841
Profit for the period		<u><u>1,847,197</u></u>	<u><u>1,685,801</u></u>

There was no other comprehensive income in the year ended 31 January 2014. All activities derive from continuing operations.

Simplify Digital Limited

Balance sheet At 31 January 2014

	Notes	2014 £	2013 £
Assets			
Non-current assets			
Intangible assets	7	812,003	249,352
Property, plant and equipment	8	1,140	2,204
Deferred tax	14	238,868	731,181
		<u>1,052,011</u>	<u>982,737</u>
Current assets			
Trade and other receivables	9	3,555,938	2,261,606
Cash at bank and in hand	10	2,799,249	916,673
		<u>6,355,187</u>	<u>3,178,279</u>
Liabilities			
Current liabilities			
Trade and other payables	11	(2,918,077)	(1,689,724)
Current tax liability	6	(409)	(119)
		<u>(2,918,486)</u>	<u>(1,689,843)</u>
Net current assets		<u>3,436,701</u>	<u>1,488,437</u>
Net assets		<u>4,488,712</u>	<u>2,471,174</u>
Shareholders' equity			
Called up share capital	15	2,137	2,137
Share premium account	16	4,374,985	4,374,985
Retained earnings	16	111,590	(1,905,949)
Shareholders' equity		<u>4,488,712</u>	<u>2,471,174</u>

These financial statements were approved by the Board of Directors on 4th Sept 2014 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 2014

	Notes	Called up share capital £	Share premium account £	Profit and loss account £	Total equity £
Balance at 31 January 2012		2,137	4,374,985	(3,539,550)	837,572
Changes in equity					
Total comprehensive income		-	-	1,685,801	1,685,801
Share-based payment	18	-	-	(52,199)	(52,199)
Balance at 31 January 2013		2,137	4,374,985	(1,905,948)	2,471,174
Changes in equity					
Total comprehensive income		-	-	1,847,197	1,847,197
Share-based payment	18, 14	-	-	170,341	170,341
Balance at 31 January 2014		2,137	4,374,985	111,590	4,488,712

Simplify Digital Limited

Cash flow statement Year ended 31 January 2014

	Notes	2014 £	2013 £
Cash flows from operating activities			
Cash generated from operations	i	2,639,130	372,666
Net cash inflow from operating activities		<u>2,639,130</u>	<u>372,666</u>
Cash flows from investing activities			
Capitalisation of development costs	7	(754,944)	(263,950)
Purchase of tangible fixed assets	8	(1,610)	-
		<u>1,882,576</u>	<u>(263,950)</u>
Increase in cash and cash equivalents		1,882,576	108,716
Cash and cash equivalents at beginning of period		<u>916,673</u>	<u>807,957</u>
Cash and cash equivalents at end of period	ii	<u>2,799,249</u>	<u>916,673</u>

Simplify Digital Limited

Notes to the cash flow statement Year ended 31 January 2014

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

	Notes	2014 £	2013 £
Profit before tax		2,356,640	959,960
Depreciation charges	8	2,674	3,575
Amortisation charges	7	192,293	19,368
Tax received		-	62,457
Share-based payment (income)/expense	18	153,621	(57,420)
		<u>2,705,228</u>	<u>987,940</u>
Increase in trade and other receivables		(1,292,403)	(1,114,416)
Increase in trade and other payables		<u>1,226,305</u>	<u>499,142</u>
Cash generated by operations		<u><u>2,639,130</u></u>	<u><u>372,666</u></u>

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:

	2014 £	2013 £
Cash and cash equivalents	<u><u>2,799,249</u></u>	<u><u>916,673</u></u>

Simplify Digital Limited

Notes to the accounts Year ended 31 January 2014

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 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 for a value of up to £1,500 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

Simplify Digital Limited

Notes to the accounts Year ended 31 January 2014

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 2014

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, IFRS 11 and IAS 27 (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)	1 January 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.

Simplify Digital Limited

Notes to the accounts Year ended 31 January 2014

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:

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. At the end of the fiscal year the vesting period is estimated to be 3 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 2013/2014 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:

	2014	2013
	£	£
Wages and salaries	2,210,385	1,722,457
Social security costs	238,231	186,914
Share-based payment expense/(income)	153,621	(63,662)
	<u>2,602,237</u>	<u>1,845,709</u>

In the previous year the share-based payment resulted in a credit due to a change in the vesting period.

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

	Numbers	Numbers
Directors	5	4
Marketing and technology	53	33
Selling	20	6
	<u>78</u>	<u>43</u>

Simplify Digital Limited

Notes to the accounts Year ended 31 January 2014

3. Employees and directors (continued)

The remuneration of the directors was as follows:

	2014 £	2013 £
Salaries	525,000	347,083
Key management remuneration	525,000	347,083

The highest paid director received a total remuneration of £ 295,000 (2013: £174,583).

4. Finance income

	2014 £	2013 £
Deposit account interest	2,048	593
Corporation tax interest	-	9
Finance income	2,408	602

5. Profit before tax

	2014 £	2013 £
The profit before tax is stated after charging:		
Staff costs	2,602,237	1,845,709
Hire of premises	226,840	140,467
Depreciation – owned assets	2,674	3,575
Development costs amortisation	192,293	19,368
Auditor's remuneration – audit services	39,000	27,000
Non-audit services – principally taxation	5,000	8,000

Simplify Digital Limited

Notes to the accounts Year ended 31 January 2014

6. Tax

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

	2014 £	2013 £
Current tax	409	119
Current tax adjustment in respect in respect of prior years	-	-
Deferred tax charge/(credit)) (note 14)	509,034	(725,960)
Total tax charge/(credit)	<u>509,443</u>	<u>(725,841)</u>

b) Reconciliation of total tax charge/(credit)

The difference to an expected tax charge of £545,939 at 23.2% (2013: 24.33%) is explained below:

	2014 £	2013 £
Profit on ordinary activities before tax	<u>2,356,640</u>	<u>959,960</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 23.2% (2013: 24.33%)	545,939	233,558
Effects of:		
Expenses not deductible for tax purposes	51,517	2,888
Utilisation of losses	-	(168,610)
Other temporary differences	-	(32,122)
Effect of change in tax rate	26,304	-
Claim for R&D tax credit	(114,317)	(35,595)
Recognition of deferred tax previously unrecognised	-	(725,960)
Total tax	<u>509,443</u>	<u>(725,841)</u>

The main rate of corporation tax has been reduced from 24% to 23% with effect from 1 April 2013.

Accordingly current tax has been provided for at an effective rate of 23.2% in these financial statements.

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 been substantively enacted at the balance sheet date and therefore deferred tax has been recognized in the financial statement at 20%.

c) Analysis of the tax charge recognised directly in equity

	2014 £	2013 £
Deferred tax credit to equity (note 14)	<u>(16,721)</u>	<u>(5,221)</u>

Simplify Digital Limited

Notes to the accounts Year ended 31 January 2014

7. Intangible assets

	Development costs £
Cost	
At 1 February 2013	453,370
Additions	754,944
	<hr/>
At 31 January 2014	1,208,314
	<hr/>
Amortisation	
At 1 February 2013	204,018
Amortisation for year	192,293
	<hr/>
At 31 January 2014	396,311
	<hr/>
Net book value	
At 31 January 2013	249,352
	<hr/>
At 31 January 2014	812,003
	<hr/> <hr/>

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 2013	34,086
Additions	1,610
	<hr/>
At 31 January 2014	35,696
	<hr/>
Depreciation	
At 1 February 2013	31,882
Depreciation for year	2,674
	<hr/>
At 31 January 2014	34,556
	<hr/>
Net book value	
At 31 January 2013	2,204
	<hr/>
At 31 January 2014	1,140
	<hr/> <hr/>

Simplify Digital Limited

Notes to the accounts Year ended 31 January 2014

9. Trade and other receivables

	2014 £	2013 £
Current:		
Trade receivables	2,251,051	1,078,161
Accrued revenues	1,267,868	1,167,391
Prepayments	37,019	16,054
	<u>3,555,938</u>	<u>2,261,606</u>

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:

	2014 £	2013 £
30 - 60 days	1,705,749	629,637
60 - 90 days	541,714	302,330
90 - 120 days	3,588	146,194
Total	<u>2,251,051</u>	<u>1,078,161</u>

10. Cash and cash equivalents

	2014 £	2013 £
Cash and bank balances	<u>2,799,249</u>	<u>916,673</u>

11. Trade and other payables

	2014 £	2013 £
Current:		
Trade creditors	1,235,076	499,079
Accrued expenses	1,388,379	715,952
Deferred income	-	204,129
Other creditors	1,726	8,893
Social security and other taxes	111,131	90,957
VAT	181,765	170,714
	<u>2,918,077</u>	<u>1,689,724</u>

Simplify Digital Limited

Notes to the accounts Year ended 31 January 2014

12. Leasing commitments

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

	2014 £	2013 £
Within one year	-	283,550
	<u>-</u>	<u>283,550</u>

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	2014 £	2013 £
Loans and receivables			
Deposits/cash	10	2,799,249	916,673
Trade receivables	9	2,251,051	1,078,161
		<u>5,050,300</u>	<u>1,994,834</u>
Financial assets			
Trade payables	11	1,235,076	499,079
Other payables	11	111,131	90,957
		<u>1,346,207</u>	<u>590,036</u>
Financial liabilities			

The fair value of financial assets and liabilities is not materially different from the book value recorded at 31 January 2014.

Simplify Digital Limited

Notes to the accounts Year ended 31 January 2014

13. 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 2014 £
Profit before tax	10
+1%	(10)
-1%	

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	2014 £
Trade receivables	9	2,251,051

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 2014

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 profiles 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 £	2014 £
Trade payables	1,235,076	1,235,076
Other payables	111,131	111,131
	<u>1,346,207</u>	<u>1,346,207</u>

14. Deferred tax

	Trading Losses £	Share- based payments £	Other temporary differences £	Total £
At 1 February 2013	701,413	52,299	(22,531)	731,181
Credit/(charge) to income	(461,216)	22,853	(70,671)	(509,034)
Credit to equity	-	16,721	-	16,721
At 31 January 2014	<u>240,197</u>	<u>91,873</u>	<u>(93,202)</u>	<u>238,868</u>

Deferred tax assets have been recognised at 31 January 2014 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 20% as at January 2014.

Simplify Digital Limited

Notes to the accounts Year ended 31 January 2014

15. Share capital

	2014 £	2013 £
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 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 18.

16. Reserves

	Retained earnings £	Share premium account £	Totals £
At 1 February 2013	(1,905,948)	4,374,985	2,469,037
Profit for the period	1,847,197	-	1,847,197
Share-based payments	170,341	-	170,341
	<u>111,590</u>	<u>4,374,985</u>	<u>4,486,575</u>

Simplify Digital Limited

Notes to the accounts Year ended 31 January 2014

17. Reconciliation of movements in shareholders' funds

	£
Profit for the financial period	1,847,197
Credit to retained earnings for share-based payments	170,341
Net addition to shareholders' funds	2,017,538
Opening shareholders' funds	2,471,174
Closing shareholders' funds	4,488,712

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	172,390	1.506
Granted during the year	-	-	63,589	3.25
Lapsed during the year	-	-	(7,030)	.74
Outstanding at 31 January 2014	<u>35,185</u>	<u>1.85</u>	<u>228,949</u>	<u>2.01</u>
Exercisable at 31 January 2014	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Weighted average fair value of award granted during the year	3.09			
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 debit of £153,621 during the year related to equity-settled share-based payment transactions, including a £29,314 charge in relation to the Directors.

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 the average profit over 3 year.

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 2014 228,949 options had been granted.

Simplify Digital Limited

Notes to the accounts Year ended 31 January 2014

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

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

20. Ultimate controlling party

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