ULS Technology plc

("ULS", the "Group" or the "Company")

Final Results

A robust performance in the face of a challenging UK housing market; excellent progress by DigitalMove

ULS Technology plc (AIM: ULS), the provider of online technology platforms for the UK conveyancing and financial intermediary markets, announces its Full Year results for the 12-month period to 31 March 2020.

Financial Highlights

- Revenue £28.3m (FY 2019: £30.0m)
- Gross Margin £12.4m (FY 2019: £12.5m)
    - Improved gross margin percentage to 44% (FY 2019: 42%)
- Underlying EBITDA[1] £6.0m (FY 2019: £6.3m)
- Underlying Profit Before Tax[1] £4.8m (FY 2019: £5.4m)
- Underlying EPS[1] 6.1p (FY 2019: 6.9p)
- Cash flow from operating activities grew to £5m (FY 2019: £4.8m)
- Net debt £3.4m (FY 2019: £2.9m)

[1] before exceptional items and amortisation of intangibles arising on consolidation

Operating Highlights

- Increased investment in and development of DigitalMove, which aims to transform the experience of buying and selling property for the entire value chain
    - Over 10,000 cases have now used the platform
- Continued strong introducer demand
    - Over 3,500 intermediary advisers using ULS's platforms – up 18% on previous year
- Further developed lender proposition, attracting new introducers
    - Including Principality Building Society and a number of challenger banks
- Strengthened Operational Team
    - Appointed new Head of Sales for DigitalMove and a Group Conveyancing Director

Board Changes

- Martin Rowland became Chairman following the retirement of Geoff Wicks. Martin joined the Board of ULS in November 2018, prior to which he spent 10 years in a variety of investment roles
- Oliver Scott, a partner in the Company's largest shareholder, Kestrel Partners, joined the Board in January 2020 as a Non-Executive Director

Post Period End Highlights

- Successful launch of Rapid Remortgage - the first of ULS's new customer and introducer driven products on our DigitalMove platform
- Gone live with a challenger bank with a further one on the point of going live.
- Imminent launch of Solicitor Portal, which will allow solicitors to use DigitalMove for non-ULS introduced business– opening up potentially significant new revenue streams for the Group
- Signed a number of contracts with key mortgage networks
- Quicker than expected rebound in the housing market with June conveyancing instructions run-rate for ULS ahead of June 2019

Steve Goodall, Chief Executive of ULS Technology plc, commented: *"There is no doubting that this year was one of the most challenging to date with the housing market affected by Brexit and then COVID-19, which is still impacting* *market conditions. We have been focusing on positioning ourselves for when the market turns and we are delighted to see the rapid increase in ULS instructions as the market has burst back in to life in June.*

"Our three key targets this year are to continue growing the number of advisers using our conveyancing comparison platforms, deliver market-leading new products and launch DigitalMove into major new categories of business with long term potential across the home-moving value chain."

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Certain information contained in this announcement would have constituted inside information (as defined by Article 7 of Regulation (EU) No 596/2014) prior to its release as part of this announcement.

Chairman's statement

It has been a turbulent year with Brexit dominating for large parts of the year, a change in Prime Minister, a general election and finishing with the start of a pandemic. Much of this has created uncertainty in the housing market but we have continued to generate cash, grow the number of advisers using our platforms and develop innovative products such as DigitalMove.

Review of the year

Gross margin was broadly in line with the prior year as was reported profit before tax. We have continued to invest in the development of the business and this meant an increase in overheads but this was offset by lower exceptional costs resulting in operating profit that was broadly in line with the previous year.

We entered the year having lost a two high volume but low margin pieces of work and this has been offset by a wider range of lower volume work with better quality of earnings. This meant that although revenue fell the gross margin percentage increased largely offsetting each other.

During the year, we announced that we had not retained a significant contract with a direct to consumer introducer. While we were disappointed to lose this contract where we believed that we were providing an excellent proposition we have noticed an increase in instructions coming through other direct to consumer introducers that we work with since the loss of that contract. It also means that outside of Lloyds Banking group, we have a balanced portfolio of introducers, and do not have concentration concerns.

As we started the year we had recently launched the pilot of DigitalMove. Since then we have added many new features, had over 10,000 instructions started to be processed through it for a mixture of sale, purchase and remortgage work and had extensive positive feedback. DigitalMove transforms the way that the consumer interacts with the solicitor by providing an easy to use digital, secure portal, allowing all forms and communication to be processed digitally. So far it has only been available for customers choosing their solicitor through eConveyancer. However, we are shortly due to launch our Solicitor Portal which will allow solicitors to use DigitalMove wherever the work originates. Digital Move has been designed to transform the home moving and remortgage process, particularly relevant at a time when more people want to work and interact remotely.

We also continued to develop our lender proposition during the year and have continued to attract new introducers. Most notable was Principality Building Society who initially went live with our Fees Assist offering and are due to go live with our panel management offering shortly. At the year-end we were also in the process of onboarding two more lenders.

In December, we announced that we planned to increase spend to accelerate the development and roll-out of DigitalMove while ensuring we remained fully resourced to grow and develop our core conveyancing comparison proposition. We have commenced with this planned spend increase recruiting a number of additional staff members including building the sales team for DigitalMove who are already growing the sales pipeline. However, we have paused further headcount increases until the economic outlook is more certain.

Final dividend

Due to the current COVID-19 situation, the Board has decided not to propose a final dividend. This is in order to preserve cash in order to give the Group as much room to manoeuvre as possible in uncertain circumstances.

Board changes

Geoff Wicks stepped down as Chairman in February this year when I became Chairman. Geoff joined the Board as Non-Executive Director when the Group floated in 2014 before becoming Chairman in 2017. I would like to thank Geoff for the support and guidance he has given to the Group. His extensive knowledge and experience was highly valued by the Board.

Oliver Scott joined the Board in January this year as Non-Executive Director. As a partner at our largest shareholder Kestrel Partners, Oliver brings a new perspective to the Board as well as a wealth of experience. I believe that this diversity of view is important and Oliver is a valuable addition.

Outlook

It is difficult to talk about the outlook for the business without obviously mentioning COVID-19. As we went into lockdown there was around a 90% fall in transactional conveyancing instructions although remortgage instructions held up a lot better. Meanwhile completions fell to a lesser extent as a surprising number of people who had already reached the instruction point found ways to still complete their house sale or purchase. The housing market has been one of the first to come out of lockdown and instructions and volumes are already starting to recover towards pre-lockdown levels. It will remain an uncertain market for many months to come and it will take some time for volumes to sustainably return to pre-COVID levels but the recovery in volumes post the easing of the lockdown for the housing market has been better than anticipated.

We are delighted with the progress of DigitalMove with over 10,000 instructions having gone into the platform. Our Solicitor Portal will launch this year and will enable solicitors beyond those on our comparison platforms to use DigitalMove, giving the Group access to a substantial new source of conveyancing transactions and creating, what we expect to be, a significant new revenue stream.

We have also worked hard to develop and grow our sales teams and continually improve the products they have to sell; this has generated material growth in the number of advisers using our platforms to provide conveyancing choice to their customers. We have continued to keep the sales teams working during the lockdown to provide a full business as usual service so that we come through this period as a stronger business.

Martin Rowland

Chairman

ULS Technology plc

23 June 2020

Chief Executive's statement

With Brexit, a Conservative leadership contest, a second General Election in two years, a Labour leadership battle and the start of a pandemic it was a busy year with plenty going on politically to sway house market sentiment and confidence.

Evolving political, economic, social and technology trends continue to support and challenge our business in equal measure. An ageing population and too little housing stock affect the liquidity in the housing market but support house prices. Historic low interest rates, questions of affordability, and government support for sectors such as New Build and First-time buyers all contribute to shape the market within which we operate. But our technology is aligned with society's demand for greener remote digital solutions and the results of the roll out to date of DigitalMove have been impressive.

ULS has performed well in this context and I am pleased to say has the right portfolio of offerings to make the most of our market leading share of the conveyancing comparison market. We will continue to look to invest and grow in our core market while using this to springboard our Digital services and other products into other parts of the value chain.

A business in transition

Last year we launched DigitalMove into the market. Funded entirely from existing cash flows, DigitalMove has already delivered over 10,000 cases shaving as much as 20% off the time it takes to complete a purchase and sale. The ramifications of this for the entire industry are profound. Quicker transactions mean quicker payments and happier home-movers. The lack of uncertainty about the progress of transactions in addition to the security of the platform means everyone can know when a task or activity has been completed.

Our intention is to roll-out the delivery across the value chain and into additional conveyancing firms that are not currently part of our platforms thereby securing additional transactions for the Group. We had always believed DigitalMove offered a digital conveyancing solution that is unrivalled in the market and the evidence to date has shown that this is exactly the case.

While DigitalMove presents a proposition for the entire value chain, our conveyancing comparison platforms provide complementary propositions for the conveyancing market that are a crucial part of the current support for our developing business. We recognise this and part of managing this transition is that the right people have to be in the right positions. We appointed a new Head of Sales for DigitalMove and I am delighted to say Mark Snape, Managing Director of our subsidiary CAL, has also taken on the role of Group Conveyancing Director. This new structure means that our push of products and services to the many sectors in which we operate is controlled and technology resources effectively deployed to support the right development for the business.

Going forward

The political certainty provided by last December's general election boosted housing market confidence during January and February. A sharp uptick in sales was seen across the UK, with even the prime central London market seeing prices climb for the first time in five years. These positive trends were expected to have continued through 2020. The arrival of COVID-19 put this recovery on hold although we are already seeing a quick recovery.

Our view at the beginning of 2020 was that the volume of UK residential transactions for 2020-21 would be around 5% higher than the five-year average - around 1.26 million compared with the 1.18 million seen in 2019-20 but the lockdown will obviously have a dramatic impact. Sales will continue to recover in the second half of the year and I believe will total around 735,000 for the full year, around a 38% decline from the level seen in 2019-20. We do expect the revival in activity to continue, with volumes in the following year expected to be above the level seen in 2020-21 but this expansion may not fully offset the drop in 2020-21 as the economy and the housing market takes a while to recover from the shock of the pandemic. The pandemic has accelerated a push to digital solutions that has substantiated our view that to outperform our competitors we cannot rely on the market alone to deliver the business, we need to shape it ourselves.

The pandemic has shown the wisdom of building remote digital solutions for conveyancing and house-buying in general. We are building a business that uses its technology expertise to support and unite an entire value chain that in turn helps consumers. We cannot be ambivalent to the market dynamics in which we operate but we can forge our own destiny within it. We grow through innovation and leveraging our market share to deliver technology, products and services that offer more value to the entire home-moving value chain and more income to ULS.

Steve Goodall

Chief Executive Officer

ULS Technology plc

23 June 2020

Financial review

Summary

- Revenue £28.3 million (2019: £30.0 million).
- Gross margin £12.4 million (2019: £12.5 million).
- Underlying PBT £4.8 million (2019: £5.4 million).
- Reported PBT £4.0 million (2019: £4.1 million).
- Net debt £3.4 million (2019: £3.0 million).
- Final payment of deferred consideration made during the year.

Results

Profit before tax for the year was broadly in line with that of the prior year. There was a reduction in exceptional costs for the year but this was offset by a slight drop in gross margin and an increase in overheads. The increase in overheads was expected as the Board decided to accelerate the investment in the business particularly DigitalMove. While revenue fell there an improvement in the gross margin % which largely offset the fall. As a Board the key profitability measure we use is underlying PBT. We believe that this measure gives a better guide to the longer-term cash generating ability of the Group and this fell a little for the reasons mentioned. The housing market was largely challenging during the period and that obviously remains the case currently.

Capitalisation of internal IT resource

In accordance with accounting rules, we capitalise internal and external IT resource where there is a clear definable project and we can identify a profitable revenue stream. The capitalisation is shown under intangible assets and amortised over the expected useful life of the asset. However, it is useful to look at the impact on profit if we had purely expensed all of this type of expenditure and we do this in the table opposite. This gives a closer indication as to the cash generative ability of the business rather than looking at reported profit.

	2020 £000's	**2019 £000's**
Underlying PBT	4,805	5,402
Capitalised development resource	(905)	(798)
Amortisation of capitalised development resource	658	536
Adjusted underlying PBT	4,558	5,140

We increased the spend on development resource that we capitalised during the year. While this spend is on a number of different projects, the reason for the increase in this spend was due to DigitalMove as we looked to accelerate the development of this major product. We expect this figure to continue to grow in the coming year.

Shares and dividends

In January 2020, the Group paid an interim dividend of 1.25 pence per share. We do not intend to pay a final dividend due to impact of COVID-19 on the Group's profit and the need to preserve cash until the housing market fully recovers.

43,219 new shares were issued in the year.

Conveyancing Alliance Holdings Limited

On the 19 December 2016, the Group acquired the entire share capital of Conveyancing Alliance Holdings Limited and its wholly owned subsidiary, Conveyancing Alliance Limited. This was for an initial cash consideration of £7.2 million plus its free cash, together with an earn-out based on performance until 31 March 2019 to be wholly satisfied in cash. The first earn-out payment of £2,934,000 and was made in July 2018. The final earnout payment of £2,337,000 was paid in July 2019. There was no change to the earnout estimates during the reporting period and the adjustment to expected contingent consideration going through exceptional operating costs was due to the movement in the net present value calculation which has now fully unwound.

Cash and debt

- The Group continued to generate positive operating cash flow:
- scheduled payments of £1 million made against the term loan with HSBC;
- RCF balance with HSBC increased by £2 million;
- dividends paid of £1.6 million;
- leverage rose from 0.46 to 0.57 as at 31 March 2020; and
- leverage is calculated as net debt against underlying EBITDA.

The underlying position of the Group is that it continues to turn a significant proportion of its operating profit into cash, which normally allows for the payment of a progressive dividend, while still investing in the growth of the business. The business has taken on debt facilities to fund acquisitions and we aim to limit leverage to one times EBITDA which we are currently well below. However, the COVID-19 scenario means that there is the possibility of exceeding that self-imposed target temporarily. While the housing market has started to recover more quickly than initially expected there will still be a substantial impact on our cashflow over the coming period. Therefore we have suspended the dividend for the time being and leverage will rise in the short term.

During the year the Group agreed a £2 million and drew down an increase in its RCF facility to £4 million on the same terms as the existing facility with an increase in the term for the enlarged facility to December 2021.Since the year-end, the Group agreed to a 6 month holiday on repayments on its term loan facility increasing the term by 6 months to June 2022. It has also agreed since the year end a £1 million overdraft in addition to its existing facilities and temporary changes to its banking covenants.

The Group has continued to invest in business and product development despite the drop in volumes since the lockdown. This approach combined with measures to manage cash outlined above along with other cash preservation actions give us the confidence that the Group will emerge from this situation in a strong position.

Taking in to account some of the items mentioned above, we undertook a number of forecasts looking at various possible impacts on the housing market as a result of COVID-19. We then further stress tested these to look at what it would take to run out of cash and when bank covenants would be breached. We negotiated extra facilities and temporary adjustments to the bank covenants based on this work. Since undertaking this work the housing market and our pipeline of work has recovered much more quickly than any of our scenarios predicted leaving us with significant cash headroom.

Underlying PBT	**2020 £000's**	**2020 £000's**	**2019 £000's**	**2019 £000's**
Profit before taxation (PBT)		4,024		4,110
Amortisation of intangible assets arising on acquisition		538		540
Exceptional operating costs				
Acquisition activity costs	30		268	
Adjustment to expected contingent consideration	113		484	
Impairment of investment	100		–	
Exceptional operating costs		243		752
Underlying PBT		4,805		5,402

Underlying EBITDA	2020 £000's	2019 £000's
Underlying PBT	4,805	5,402
Finance income	(14)	(12)
Finance costs	195	132
Amortisation (excluding arising on acquisition)	658	536
Depreciation	324	204
Underlying EBITDA	5,968	6,262

Impact of IFRS 16

At the start of the year we implemented IFRS16. The Group held two property leases at the start of the year and acquired another property lease during the year. It does not hold any other leases. No adjustment was made to prior year figures.

The impact on profit before tax in year in adopting IFRS16 was minimal while it increased EBITDA by £123,000. As at the 31 March 2020 there were assets on the balance sheet capitalised under the standard of £1,501,000 and liabilities of £1,467,000.

Board of Directors

Martin Rowland
Chairman

Appointed
Martin joined as Non-Executive Director in November 2018 before becoming Chairman in February 2020.

He was previously a Non-Executive Director of the Group between 2011 and 2014.

Background and Experience
Martin has spent the last 10 years in a variety of investment roles, working for institutional private equity houses and investing alongside family offices. Prior to this Martin held operational and strategic roles in mid-sized and large corporates. He has been a Director of companies in an executive and Non-Executive capacity, helping businesses to scale organically and through acquisition. Martin is a qualified accountant.

Steve Goodall
Chief Executive Officer

Appointed
Steve joined the Company as Managing Director in May 2017 before becoming CEO in April 2018.

Background and Experience
Steve has been instrumental in building the Company's success in tailoring conveyancing services and technology for lenders as well as introducing and commercialising new products and services for existing and new B2B relationships.

Prior to joining ULS, Steve worked for Legal & General Surveying Services ('LGSS') for over 15 years, most recently holding the post of Managing Director. During his tenure, he successfully transformed LGSS from a modest surveying business into the number one, market leading property risk and valuation distribution business, which in 2016 handled over 500,000 valuation instructions and generated revenue of approximately £80 million.

Steve was awarded the Royal Institute of Chartered Surveyors' Fellowship in 2012 and also holds numerous high-profile industry awards, both personally and on behalf of LGSS.

John Williams
Chief Financial Officer

Appointed
John joined the business in January 2011 at the point of Lloyds Development Capital (LDC) investment in the Group and oversaw the listing process in 2014.

Background and Experience
Prior to joining the Company, John was Finance Director at Stortext FM Limited, a private equity backed SaaS business specialising in document management. There, he led a merger process before taking the lead in a successful trade sale of the merged entity to Box-it Limited.
John is a chartered accountant, having qualified with Ernst & Young, before he gained blue-chip experience with Motorola in a number of roles.

Andrew Weston
Co-founder and IT Director

Appointed

Andrew co-founded ULS in 2003. He is responsible for product development and is the brains behind DigitalMove.

Background and Experience
He started his career developing and implementing software solutions at PE International plc and Vintner Computer Systems. He founded his own businesses: Weston Computing, in 1995; and Weston Technology in 2000.

Andrew has spent the last 14 years building property, financial and legal services applications for the Group and also co-founded ehips Ltd (now known as United Home Services Ltd) in 2007, which is now part of ULS.

Elaine Bucknor
Independent Non-Executive Director

Appointed
Elaine joined as Non-Executive Director in June 2018. She is Chair of the Nominations Committee.

Background and Experience
She is currently Sky Plc's Group Chief Information Security Officer and a Group Director in its Technology Executive team. Elaine has over 20 years in operational and strategic technology consultancy and leadership roles, with multinational market leaders in the telecommunications, media, technology, travel, financial and public sectors. She has advised at Board level on technology capabilities to enable scalable growth and resilience in highly disruptive markets and specialises in shaping and executing innovative technology strategies.

Elaine is a key sponsor on a number of programmes to encourage more women into technology-based careers and is also a member of a number of industry councils in the Technology and Cyber Security sectors.

Oliver Scott
Non-Executive Director

Appointed
Oliver joined as Non-Executive Director in January 2020. He is a partner of Kestrel Partners LLP, the Company's largest shareholder, a business he co-founded in 2009 and which specialises in investing in smaller quoted technology companies. Oliver is Chair of the Audit and Remuneration Committees.

Background and Experience
Prior to Kestrel, Oliver spent over 15 years advising smaller quoted and unquoted companies, latterly as a director of KBC Peel Hunt Corporate Finance. Oliver has acted as Kestrel's representative on various of its public and private investee companies and was previously a non-executive director of Idox plc, IQGeo Group plc and KBC Advanced Technologies plc, prior to its takeover by Yokogawa. Oliver is currently a non-executive director of K3 Business Technology plc.

Directors' report

The Directors present their report and the financial statements of ULS for the year ended 31 March 2020.

Principal activity
The Company acts as a holding company for its four subsidiaries and provides management services to its subsidiary companies.

The largest subsidiary, United Legal Services Limited, develops and provides software that supports the provision of online legal comparison services, particularly in the conveyancing sector. Its disruptive technology creates competition amongst the providers of legal services to the benefit of the consumer. Conveyancing Alliance Limited operates in a similar fashion.

Legal-Eye Limited provides risk management and compliance services to solicitors and licensed conveyancers.

United Home Services Limited has developed a commercial proposition for the estate agency comparison product. Its operations are currently immaterial to the Group.

Review of business and future developments
The review of the business and future developments is outlined in the Chairman's statement and the Chief Executive's Statement.

Dividends
A final dividend in respect of the year ended 31 March 2019 of 1.20 pence per share was paid on 2 August 2019. An interim dividend of 1.25 pence per share was paid on 3 January 2020. The Directors have decided not to propose a final dividend.

Directors
The Directors of the Company during the year and their beneficial interest in the ordinary shares and share options of the Company at 31 March 2020 are set out below:

	Ordinary shares		**Share options**	
	2020	**2019**	**2020**	**2019**
Andrew Weston	1,276,625	1,276,625	226,898	226,898
John Williams	48,291	48,291	485,809	485,809
Geoffrey Wicks	52,000	52,000	–	–
Steve Goodall	–	–	650,000	650,000
	1,376,916	1,376,916	1,362,707	1,362,707

In addition to the above table, Oliver Scott was appointed to the board on 7 January 2020 and holds a beneficial interest in the holding disclosed for Kestrel Partner below.

Martin Rowland purchased 60,000 Ordinary shares in May 2020.

Employee involvement
The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. This is achieved through informal discussions between Group management, operating company management and employees, staff surveys as well as regular 'town hall' meetings.

The Group operates an EMI share option scheme and, as well as options issued to Directors as shown above, options have also been issued to and are held by a significant number of employees.

Substantial shareholders

The Company has been notified of the following interests of three per cent or more in its issued share capital as at 31 March 2020.

Shareholder	No. of shares	%
Kestrel Partners	16,582,266	25.56
Schroder Investment Management	6,860,816	10.58
River and Mercantile Asset Management	5,675,860	8.75
Unicorn Asset Management	5,150,200	7.94
Lombard Odier Investment Managers	4,658,454	7.18
Herald Investment Management	4,400,000	6.78
Gresham House Strategic	4,252,438	6.56

Research and development

The Group develops software products in-house and CAL uses an external provider to do the same. These are capitalised in line with the accounting policies.

Financial instruments and risks

The Group's operations expose it to a variety of liquidity, credit and interest rate risks. Details of the use of financial instruments by ULS and these risks are contained in the financial statements.

Directors' remuneration

The following table sets out an analysis of the pre-tax remuneration for the year ended 31 March 2020 for the individual Directors who held office in the Company during the year:

	2020 Salary/fees £	2020 Bonuses £	2020 Benefits in kind £	2020 Sub Total £	2020 Share-based payment £	2020 Total £	2019 Total £
Andrew Weston	123,769	–	12,284	136,053	8,806	144,859	129,611
John Williams	132,457	–	21,859	154,316	9,412	163,728	162,368
Geoffrey Wicks	41,167	–	–	41,167	–	41,167	38,913
Steve Goodall	178,640	–	14,992	193,632	46,584	240,216	229,300
Elaine Bucknor	33,250	–	2,975	36,225	–	36,225	29,626
Martin Rowland	38,079	–	3,407	41,486	–	41,486	11,734
Oliver Scott[1]	8,280	–	–	–	–	8,280	–
Peter Opperman	–	–	–	–	–	–	11,340

Ben Thompson	–	–	–	–	–	–	(53,009)
	555,642	–	55,518	602,880	64,802	675,961	559,893

[1] The fee for the services of Oliver Scott is paid to Kestrel and not to Oliver directly.

The share-based payment charge for Ben Thompson is negative for the previous period due to the write back of previous charges on options which lapsed prior to vesting when he left the business.

Geoff Wicks resigned as a Director on 14 February 2020. Oliver Scott was appointed as a Director on 7 January 2020.

Share options and warrants
The share-based payment of £64,802 (2019: £(20,451)) to Directors represents the share-based expense relating to share options issued in prior years. The following share options table comprises share options held by Directors who held office during the year ended 31 March 2020:

	Options held at 31 March 2019	Options granted in period	Options exercised in period	Options lapsed in period	Options held at 31 March 2020	Exercise price (p)	Exercisable from	Exercisable to
John Williams	258,911	–	–	–	258,911	40.00	18/08/17	17/08/24
John Williams	226,898	–	–	–	226,898	76.75	21/12/19	20/12/26
Andrew Weston	226,898	–	–	–	226,898	76.75	21/12/19	20/12/26
Steve Goodall	322,500	–	–	–	322,500	106.00	01/05/20	31/04/27
Steve Goodall	327,500	–	–	–	327,500	134.25	28/06/21	27/06/28

Share dealing code
The Group has adopted a share dealing code for Directors and applicable employees of the Group for the purpose of ensuring compliance by such persons with the provisions of the AIM rules relating to dealings in the Group's securities (including, in particular, Rule 21 of the AIM rules). The Directors consider that this share dealing code is appropriate for a company whose shares are admitted to trading on AIM. The Group takes proper steps to ensure compliance by the Directors and applicable employees with the terms of the share dealing code and the relevant provisions of the AIM rules (including Rule 21).

Website publication
The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Disclosure of information to auditors
The Directors confirm that, in so far as each Director is aware:

- there is no relevant audit information of which the Group's auditor is unaware; and
- the Directors have taken all steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

Directors' responsibilities statement

The Directors are responsible for preparing the strategic report, Directors' 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 to prepare the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and have elected to prepare the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (UK Accounting Standards and applicable laws). 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 and profit and loss of the Company and Group 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;
- state whether IFRSs as adopted by the European Union and UK Accounting Standards have been followed, 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 Group's transactions, and disclose with reasonable accuracy at any time the financial position of the Group, 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 Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

Grant Thornton UK LLP are the appointed auditor of ULS Technology plc. A resolution to reappoint them as auditors and to authorise the Directors to agree their remuneration will be placed before the forthcoming Annual General Meeting of the Company.

Approved by the Board of Directors and signed on its behalf:

Steve Goodall

Chief Executive Officer

ULS Technology plc

John Williams

Chief Financial Officer

ULS Technology plc

23 June 2020

Company number: 07466574

Consolidated Income Statement
for the year ended 31 March 2020

	Notes	2020 £000's	2019 £000's
Revenue	1	28,272	29,963
Cost of sales		(15,849)	(17,450)
Gross profit		12,423	12,513
Administrative expenses		(7,975)	(7,531)
Operating profit before exceptional expenses		4,448	4,982
Exceptional admin expenses	3	(243)	(752)
Operating profit	2	4,205	4,230
Finance income	5	14	12
Finance costs	6	(195)	(132)
Profit before tax		4,024	4,110
Tax expense	7	(759)	(827)
Profit for the financial year attributable to the Group's equity shareholders		3,265	3,283
Earnings per share from operations			
Basic earnings per share (£)	8	0.0506	0.0509
Diluted earnings per share (£)	8	0.0482	0.0483

Consolidated statement of comprehensive income
for the year ended 31 March 2020

	2020 £000's	2019 £000's
Profit for the financial year	3,265	3,283
Total comprehensive income for the financial year attributable to the owners of the parent	3,265	3,283

Consolidated Balance Sheet
as at 31 March 2020

	Notes	2020 £000's	2019 £000's
Assets			
Non-current assets			
Intangible assets	13	6,151	6,442
Goodwill	10	11,008	11,008
Financial assets at FVOCI	11	–	100
Investment in associates	12	533	551
Property, plant and equipment	14	2,140	437
Long-term receivables	16	250	200
Prepayments	16	123	151
		20,205	18,889
Current assets			
Inventory	15	–	48
Trade and other receivables	16	1,874	1,874
Cash and cash equivalents	17	2,340	1,852
		4,214	3,774
Total assets		24,419	22,663

Equity and liabilities			
Capital and reserves attributable to the Group's equity shareholders			
Share capital	18	259	259
EBT reserve		(453)	(484)
Share premium		4,609	4,585
Capital redemption reserve		113	113
Share based payment reserve		427	293
Retained earnings		7,624	5,973
Total equity		12,579	10,739
Non-current liabilities			

Borrowings	20	750	1,750
Lease liabilities	24	1,309	–
Deferred taxation	7	1,045	1,031
		3,104	2,781
Current liabilities			
Trade and other payables	19	3,296	5,813
Borrowings	20	5,000	3,000
Lease liabilities	24	158	–
Current tax payable		282	330
		8,736	9,143
Total liabilities		11,840	11,924
Total equity and liabilities		24,419	22,663

Consolidated statement of changes in equity
for the year ended 31 March 2020

	Share capital £000's	EBT reserve £000's	Share premium £000's	Capital redemption reserve £000's	Share-based payments reserve £000's	Retained earnings £000's	Total Equity £000's
Balance at 1 April 2018	259	(527)	4,585	113	267	4,643	9,340
Profit for the year	–	–	–	–	–	3,283	3,283
Total comprehensive income	–	–	–	–	–	3,283	3,283
Purchase of shares by EBT	–	(207)	–	–	–	–	(207)
Exercise of options	–	250	–	–	(16)	(161)	73
Share-based payments	–	–	–	–	42	–	42
Deferred taxation share options	–	–	–	–	–	(277)	(277)
Payment of dividends	–	–	–	–	–	(1,515)	(1,515)
Total transactions with owners	–	43	–	–	26	(1,953)	(1,884)
Balance at 31 March 2018	259	(484)	4,585	113	293	5,973	10,739
Balance at 1 April 2019	259	(484)	4,585	113	293	5,973	10,739
Profit for the year	–	–	–	–	–	3,265	3,265
Total comprehensive income	–	–	–	–	–	3,265	3,265
Issue of shares	–	–	24	–	–	–	24
Purchase of shares by EBT	–	(29)	–	–	–	–	(29)
Exercise of options	–	60	–	–	(9)	(33)	18
Share-based payments	–	–	–	–	143	–	143
Payment of dividends	–	–	–	–	–	(1,581)	(1,581)
Total transactions with owners	–	31	24	–	134	(1,614)	(1,425)
Balance at 31 March 2020	259	(453)	4,609	113	427	7,624	12,579

Consolidated statement of cash flows
for the year ended 31 March 2020

	Notes	2020 £000's	2019 £000's
Cash flow from operating activities			
Profit for the financial year before tax		4,024	4,110
Finance income	5	(14)	(12)
Finance costs	6	195	132
Loss on disposal of plant and equipment		–	1
Share of loss/(profit) from associate	12	18	(4)
Amortisation	13	1,196	1,076
Depreciation	14	324	204
Impairment of financial assets at FVOCI		100	–
Share-based payments		143	42
Tax paid		(793)	(824)
		5,193	4,725
Changes in working capital			
Decrease in inventories		48	7
(Increase) in trade and other receivables		(22)	(361)
(Decrease)/increase in trade and other payables		(180)	463
Cash inflow from operating activities		5,039	4,834
Cash flow from investing activities			
Purchase of intangible software assets	13	(905)	(798)
Purchase of property, plant and equipment	14	(405)	(371)
Disposal of property, plant and equipment		–	1
Payment of deferred consideration		(2,337)	(2,934)
Interest received	5	14	12
Net cash used in investing activities		(3,633)	(4,090)

Cash flow from financing activities			
Share issue proceeds		24	–
Dividends paid	32	(1,581)	(1,515)
Interest paid	6	(195)	(132)
Lease payments		(155)	–
Movement on RCF	20	2,000	1,000
Repayment of loans	20	(1,000)	(1,000)
Shares Traded by EBT		(11)	(134)
Net cash used in financing activities		(918)	(1,781)
Net increase/(decrease) in cash and cash equivalents		488	(1,037)
Cash and cash equivalents at beginning of financial year		1,852	2,889
Cash and cash equivalents at end of financial year		2,340	1,852

Notes to the consolidated financial statements

Principal accounting policies

Basis of preparation
The Consolidated Financial Statements of ULS Technology plc and its subsidiaries (together, 'the Group') have been prepared in accordance with International Financial Reporting Standards ('IFRS'), as adopted by the EU, IFRIC interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

IFRS is subject to amendment and interpretation by the International Accounting Standards Board ('IASB') and the IFRS Interpretations Committee, and there is an on-going process of review and endorsement by the European Commission. These accounting policies comply with each IFRS that is mandatory for accounting periods ending on 31 March 2020.

The financial statements have been prepared under the historical cost convention. The principal accounting policies set out below have been consistently applied to all periods presented.

Going Concern
The Board and Key Management routinely plan future activities including forecasting future cash flows. They have reviewed their plans and formed a judgement that the Group has adequate resources to continue as a going concern for at least 12 months from the date of signing of the financial statements. In arriving at this judgement, the Directors have reviewed the cash flow projections of the Group for the foreseeable future and have considered existing commitments together with financial resources available to the Group.

Particular consideration has been given to COVID-19 and its impact on the housing market. More detail on this work is given in the Financial Review.

Basis of consolidation
The Consolidated Financial Statements incorporate the results of ULS Technology plc ('the Company') and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities and the ability to use its power over the investee to affect the returns from the investee.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the Consolidated Income Statement from the effective date of acquisition and up to the effective date of disposal, as appropriate. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Business combinations
The Group financial statements consolidate those of the parent company and all of its subsidiaries as of 31 March 2020. All subsidiaries have a reporting date of 31 March.

The Group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Acquisition-related costs are expensed as incurred.

Interest in associates
An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The post-tax results of associates are incorporated in the Group's results using the equity method of accounting. Under the equity method, investments in associates are carried in the Consolidated Balance Sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of investment. Losses of associates in excess of the Group's interest in that associate are not recognised. Additional losses are provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture or associate.

Employee benefit trust
The Directors consider that the Employee Benefit Trust (EBT) is under the de facto control of the Company as the trustees look to the Directors to determine how to dispense the assets. Therefore the assets and liabilities of the EBT have been consolidated into the Group accounts. The EBT's investment in the Company's shares is eliminated on consolidation and shown as a deduction against equity. Any assets in the EBT will cease to be recognised in the Consolidated Balance Sheet when those assets vest unconditionally in identified beneficiaries.

Revenue recognition
Revenue comprises revenue recognised in respect of services, supplied during the period and is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, based on when performance obligations have been satisfied.

Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Revenue from a contract to provide services which are completed at an identifiable point in time is recognised when the performance obligation is met, and when all of the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

Revenue is recognised on completion of the legal services. For a conveyancing transaction, this will be on completion of the property transaction and if the transaction falls through prior to completion no fees will be payable by the consumer to the solicitor or by the solicitor (customer) to the Company or by the Company to the introducer (supplier).
The proportion of the fee that the Company receives on completion of a conveyancing transaction that is remitted to a third party (introducer), such as a mortgage broker or intermediary, is recognised as a cost of sale. This is because the Group bears most of the credit risk, delivers the service and sets the pricing.

Segmental reporting
An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses related to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's Chief Operating Decision Maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete

financial information is available. The Chief Operating Decision Maker has been identified as the Board of Executive Directors, at which level strategic decisions are made.

Details of the Group's reporting segments are provided in note 1.

Operating expenses
Operating expenses are recognised in profit or loss upon utilisation of the service or as incurred.

Exceptional operating expenses are non-recurring in nature and of a material size. Items are classified as exceptional to aid the understanding of the underlying performance of the business.

Finance income and costs
Interest is recognised using the effective interest method which calculates the amortised cost of a financial asset or liability and allocates the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability to the net carrying amount of the financial asset or liability.

Goodwill
Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

Other intangible assets

Capitalised development expenditure
An internally-generated intangible asset arising from development expenditure is recognised if, and only if, all of the following criteria have been demonstrated:
- The technical feasibility of completing the intangible asset so that it will be available for use of sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.
- The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is expensed in the period in which it is incurred.

Amortisation is calculated so as to write off the cost of an asset, net of any residual value, over the estimated useful life of that asset as follows:
- Capital development expenditure – Straight line over 4–7 years
- Development expenditure not meeting the criteria to be capitalised totalled £nil (2019: £nil).

Brand names and customers lists
Brand names and customer lists acquired in a business combination that qualify for separate recognition are recognised as intangible assets at their fair values.

Amortisation is calculated so as to write off the cost of an asset on a straight line basis, net of any residual value, over the estimated useful life of that asset as follows:
- Customer and introducer relationships – 10 to 12 years
- Brand names – 10 years
- Acquired technology platform – 9 years

Property, plant and equipment
Property, plant and equipment is stated at historical cost less accumulated depreciation and less any recognised impairment losses. Cost includes expenditure that is directly attributable to the acquisition or construction of these items. Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the costs can be measured reliably. All other costs, including repairs and maintenance costs, are charged to the Consolidated Income Statement in the period in which they are incurred.

Depreciation is provided on all property, plant and equipment and is calculated on a straight-line basis as follows:
- Leasehold improvements – Over the life of the lease
- Computer equipment – 25% on cost
- Fixtures and fittings – 25% on cost

Depreciation is provided on cost less residual value over the asset's useful life. The residual value, depreciation methods and useful lives are annually reassessed.

Each asset's estimated useful life has been assessed with regard to its own physical life limitations and to possible future variations in those assessments. Estimates of remaining useful lives are made on a regular basis for all equipment, with annual reassessments for major items. Changes in estimates are accounted for prospectively.

The gain or loss arising on disposal or scrapping of an asset is determined as the difference between the sales proceeds, net of selling costs, and the carrying amount of the asset and is recognised in the Consolidated Income Statement.

Impairment of non-current assets including goodwill
For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination. Each unit to which goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired.

At each Balance Sheet reporting date the Directors review the carrying amounts of the Group's tangible and intangible assets, other than goodwill, to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. If the recoverable amount of a cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit.

An impairment loss is recognised as an expense immediately.

An impairment loss recognised for goodwill is not reversed in subsequent periods.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or cash-generating unit in prior periods. A reversal of an impairment loss is recognised in the Consolidated Income Statement immediately.

Inventories
Work in progress is valued on the basis of direct costs attributable to jobs under completion at the reporting date.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Financial instruments

Recognition and derecognition
Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets
Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets are classified into the following categories:
- amortised cost; or
- fair value through profit or loss (FVTPL); or
- fair value through other comprehensive income (FVOCI).

In the periods presented the Company does not have any financial assets categorised as FVTPL.

The classification is determined by both:
- the entity's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other administrative expenses.

Subsequent measurement of financial assets
Financial assets at amortised cost
Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):
- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and

- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and other receivables fall into this category of financial instruments.

Financial assets at fair value through other comprehensive income (FVOCI)
The Company accounts for financial assets at FVOCI if the assets meet the following conditions:
- they are held under a business model whose objective it is 'hold to collect' the associated cash flows and sell; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group's 15% share in Financial Eye Limited are classified as financial assets at FVOCI.

Any gains or losses recognised in other comprehensive income (OCI) will be recycled upon derecognition of the asset.

Impairment of financial assets
IFRS 9's impairment requirements use forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. Instruments within the scope of these requirements included loans and other debt-type financial assets measured at amortised cost, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

The Group considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:
- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1'), and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade and other receivables and contract assets
The Group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Group assess impairment of trade receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due. Refer to Note 21 for further details.

Classification and measurement of financial liabilities
The Group's financial liabilities include borrowings, trade and other payables and contingent consideration.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss. Contingent consideration is measured at FVTPL.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

Current taxation
Current taxation for each taxable entity in the Group is based on the taxable income at the UK statutory tax rate enacted or substantively enacted at the Balance Sheet reporting date and includes adjustments to tax payable or recoverable in respect of previous periods.

Deferred taxation
Deferred taxation is calculated using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial information. However, if the deferred tax arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the Balance Sheet reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax liabilities are provided in full
Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the Consolidated Income Statement, except where they relate to items that are charged or credited directly to equity or other comprehensive income in which case the related deferred tax is also charged or credited directly to equity or other comprehensive income.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Employment benefits
Provision is made in the financial information for all employee benefits. Liabilities for wages and salaries, including non-monetary benefit and annual leave obliged to be settled within 12 months of the Balance Sheet reporting date, are recognised in accruals.

The Group's contributions to defined contribution pension plans are charged to the Consolidated Income Statement in the period to which the contributions relate.

Leasing
For reporting in the comparative period, where substantially all of the risks and rewards incidental to ownership are not transferred to the Group (an "operating lease"), the total rentals payable under the lease were charged to the income statement on a straight-line basis over the lease term. The aggregate benefit of lease incentives was

recognised as a reduction of the rental expense over the lease term on a straight-line basis. Lease incentives were capitalised and spread over the period of the lease term.

From 1 April 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the Group has the right to direct the use of the identified asset throughout the period of use.

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised. Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit or loss if the right-of-use asset is already reduced to zero.

On the balance sheet, right-of-use assets have been included in property, plant and equipment and lease liabilities have been included in trade and other payables.

Equity and reserves

Equity and reserves comprise the following:

- 'Share capital' represents amounts subscribed for shares at nominal value.
- 'EBT reserve' represents cost of shares bought and sold through the Employee Benefit Trust.
- 'Share premium' represents amounts subscribed for share capital, net of issue costs, in excess of nominal value.
- 'Capital redemption reserve' represents the nominal value of re-purchased share capital.
- 'Share-based payment reserve' represents the accumulated value of share-based payments expensed in the profit and loss.
- 'Retained earnings' represents the accumulated profits and losses attributable to equity shareholders.

Share-based employee remuneration

The Group operates share option based remuneration plan for its employees. None of the Group's plans are cash settled.

Where employees are rewarded using share-based payments, the fair value of employees' services is determined indirectly by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date using the Black-Scholes model.

All share-based remuneration is ultimately recognised as an expense in profit and loss with a corresponding credit to retained earnings. The expense is allocated over the vesting period. Other than the requirement to be an employee at the point of exercise there are no other vesting requirements and all share options are expected to become exercisable. Subsequent revisions to this give rise to an adjustment to cumulative share-based compensation which is recognised in the current period. The number of vested options ultimately exercised by holders does not impact the expense recorded in any period.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs, are allocated to share capital up to the nominal (par) value of the shares issued with any excess being recorded as share premium.

Contingent liabilities
No liability is recognised if an outflow of economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.

New and amended International Financial Reporting Standards adopted by the Group
The following new standards, amendments to standards or interpretations are effective for the first time this year applicable to the Group.

New/Revised International Financial Reporting Standards		**Effective date: annual periods beginning on or after:**	**EU adopted**	**Impact on Group**
IFRS 16	Leases	1 January 2019	Yes	Most operating leases will be capitalised on the Balance Sheet

The adoption of this new Standard has resulted in the Group recognising a right-of-use asset and related lease liability in connection with all former operating leases.

The new Standard has been applied using the modified retrospective approach, with right of use assets and corresponding liabilities recognised as an adjustment in the current period. At this date, the Group has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition. Prior periods have not been restated.

The Group has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of IFRS 16, being 1 April 2019.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Group has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16.

On transition to IFRS 16 the weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 was 2.5%.

The Group has benefited from the use of hindsight for determining the lease term when considering options to extend and terminate leases.

The following is a reconciliation of the financial statement line items from IAS 17 to IFRS 16 at 1 April 2019:

	Carrying amount at 31 March 2019	Remeasurements	IFRS 16 carrying amount at 1 April 2019
	£	**£**	£
Property, plant and equipment	437	565	1,002
Lease liabilities	-	(565)	(565)
Prepayments	383	(20)	363

The following is a reconciliation of total operating lease commitments at 31 March 2019 (as disclosed in the financial statements to 31 March 2019) to the lease liabilities recognised at 1 April 2019:

	£
Operating lease commitments recognised at 31 March 2019	**312**
Post break clause adjustment	**312**
Effects of discounting	**(79)**
Lease liabilities recognised under IFRS 16 at 1 April 2019	**545**

International Financial Reporting Standards in issue but not yet effective
At the date of authorisation of these Consolidated Financial Statements, the IASB and IFRS Interpretations Committee have issued standards, interpretations and amendments which are applicable to the Group.

Whilst these standards and interpretations are not effective for, and have not been applied in the preparation of, these Consolidated Financial Statements, the following may have an impact going forward:

New/Revised International Financial Reporting Standards		**Effective date: annual periods beginning on or after:**	**EU adopted**	**Impact on Group**
IAS 1	Amendments to IAS 1 and IAS 8: Definition of Material	1 January 2020	Yes	Immaterial
IAS 1	Amendments to IAS 1: Classification of Liabilities as Current or Non-current	1 January 2022	No	Immaterial
IFRS 3	Amendment to IFRS 3 Business Combinations	1 January 2020	Yes	Immaterial
IFRS 3	Amendment to IFRS 3 Business Combinations	1 January 2022	No	Immaterial
IAS 16	Amendments to IAS 16 Property, Plant and Equipment	1 January 2022	No	Immaterial
IAS 37	Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets	1 January 2022	No	Immaterial

Critical accounting judgements and key sources of estimation uncertainty
The preparation of financial information in conformity with generally accepted accounting practice requires management to make estimates and judgements that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the Balance Sheet reporting date and the reported amounts of revenues and expenses during the reporting period.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Estimates

The following are the significant estimates used in applying the accounting policies of the Group that have the most significant effect on the financial statements:

Fair value of intangible assets acquired in business combinations

In determining the fair value of intangible assets acquired in business combinations, estimates have been used by a specialist valuation company on behalf of management, using information supplied by management, in order to determine the fair values using appropriate modelling techniques.

Impairment review

The Group assesses the useful life of intangible assets to determine if there is a definite or indefinite period of useful economic life; this requires the exercise of judgement and directly affects the amortisation charge on the asset. The Group tests whether there are any indicators of impairment at each reporting date. Discounted cash flows are used to assess the recoverable amount of each cash generating unit, and this requires estimates to be made. If there is no appropriate method of valuation of an intangible asset, or no clear market value, management will use valuation techniques to determine the value. This will require assumptions and estimates to be made. The Group has taken a prudent view on the possible impact of COVID-19 and the lockdown on discounted cashflows particularly over the coming year.

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment.

Contingent consideration arising on business combinations

Contingent consideration is payable based on the future performance of an acquisition to the former shareholders. The likelihood of payment and ultimate value payable are a matter of judgement.

Contingent Consideration occurs in the circumstances where an element of the consideration for an acquired business is determined based upon one or more criteria that are achievable in future periods. The most commonly applied is the achievement of forecast profitability. A defined value of consideration will be payable based on such achievement, and any underperformance against those targets will be credited back to the Consolidated Income Statement.

Judgements

The following are the significant judgements used in applying the accounting policies of the Group that have the most significant effect on the financial information:

Capitalisation of development expenditure

The Group applies judgement in determining whether internal research and development projects meet the qualifying criteria set out in IAS 38 for the capitalisation of development expenditure as internally generated intangible assets. The particular uncertainty and judgement centres around whether a project will be commercially successful, particularly in the pre-revenue phase.

Investment in Associates

While the current profitability of HomeOwners Alliance is limited, it is the judgement of the Board that the contribution overall to the Group in terms of conveyancing business introduced in addition to the longer-term prospects of the company mean that there is no impairment to the carrying value of the associate.

1. Segmental reporting

Operating segments
Management identifies its operating segments based on the Group's service lines, which represent the main product and services provided by the Group. The Group of similar services which makes up the Group's Comparison Services segment represents more than 95% of the total business. Additionally, the Board reviews Group consolidated numbers when making strategic decisions and, as such, the Group considers that it has one reportable operating segment. All sales are made in the UK.

Revenues from customers who contributed more than 10% of revenues were as follows:

	2020 £000's	2019 £000's
Customer 1	6,071	6,125
Customer 2	3,322	3,682

2. Operating profit

Operating profit is stated after charging:	2020 £000's	2019 £000's
Fees payable to the Group's auditors for the audit of the annual financial statements	32	30
Fees payable to the Group's auditors and its associates for other services to the Group:		
– Audit of the accounts of subsidiaries	22	21
Amortisation	1,196	1,076
Depreciation	324	204
Operating lease rentals payable:		
– Office and equipment	-	82

3. Exceptional administrative expenses

	2020 £000's	2019 £000's
M&A expenses (including abortive costs)	30	269
Adjustment to expected deferred/contingent consideration	113	483
Impairment of financial assets at FVOCI	100	–
	243	752

M&A expenses in both years relates to abortive costs only.

4. Directors and employees
The aggregate payroll costs of the employees, including both management and Executive Directors, were as follows:

	2020 £000's	2019 £000's

Staff costs		
Wages and salaries	4,524	4,242
Social security costs	492	523
Pension costs	340	352
	5,356	5,117

Average monthly number of persons employed by the Group during the year was as follows:

	2020 Number	**2019 Number**
By activity:		
Production	33	30
Distribution	35	35
Administrative	23	20
Management	11	12
	102	97

	2020 £000's	**2019 £000's**
Remuneration of Directors		
Emoluments for qualifying services	616	524
Pension contributions	52	36
Social security costs	68	90
	736	650

	2020 £000's	**2019 £000's**
Highest paid Director		
Remuneration	240	229

The highest paid Director received share options as shown in the Directors' report.

A breakdown of the emoluments for Directors can be found in the Directors' report.

Key management personnel are identified as the Executive Directors.

	2020 £000's	**2019 £000's**

Remuneration of key management		
Emoluments for qualifying services	503	433
Pension contributions	45	35
Social security costs	56	81
	604	549

Payments of pensions contributions have been made on behalf of Directors.

5. Finance income

	2020 £000's	2019 £000's
Bank interest	14	12

6. Finance costs

	2020 £000's	2019 £000's
Interest on borrowings	(169)	(132)
Lease interest	(26)	-

7. Taxation

Analysis of credit in year	2020 £000's	2019 £000's
Current tax		
United Kingdom		
UK corporation tax on profits for the year	745	820
Deferred tax		
United Kingdom		
Origination and reversal of temporary differences	14	7
Corporation tax charge	759	827

The differences are explained as follows:

	2020 £000's	2019 £000's
Profit before tax	4,024	4,110
UK corporation tax rate	19%	19%

Expected tax expense	765	781
Adjustments relating to prior year	(2)	(4)
Adjustment for additional R&D tax relief	(197)	(158)
Adjust opening deferred tax rate to 19%	33	-
Deferred tax not recognised	1	54
Adjustment for non-deductible expenses		
– Expenses not deductible for tax purposes	133	173
– Other permanent differences	26	(19)
Income tax charge	759	827

Deferred tax

	2020 £000's	**2019 £000's**
Deferred tax liabilities at applicable rate for the period of 19%:		
Opening balance at 1 April	1,031	747
– Property, plant and equipment and capitalised development spend temporary differences	79	49
– Deferred tax recognised on acquisitions of Legal Eye and Conveyancing Alliance	(96)	(96)
– Deferred tax on share options	31	331
Deferred tax liabilities – closing balance at 31 March	1,045	1,031

8. Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to Ordinary Shareholders by the weighted average number of Ordinary Shares outstanding during the year.

Basic earnings per share

	2020 £	**2019 £**
Total basic earnings per share	0.0506	0.0509
Total diluted earnings per share	0.0482	0.0483

The earnings and weighted average number of Ordinary Shares used in the calculation of basic earnings per share were as follows:

	2020 £000's	2019 £000's
Earnings used in the calculation of total basic and diluted earnings per share	3,265	3,283

Number of shares	2020 Number	2019 Number
Weighted average number of Ordinary Shares for the purposes of basic earnings per share	64,499,023	64,462,605

Taking the Group's share options and warrants into consideration in respect of the Group's weighted average number of ordinary shares for the purposes of diluted earnings per share, is as follows:

Number of shares	2020 Number	2019 Number
Dilutive (potential dilutive) effect of share options, conversion shares and warrants	3,224,904	3,475,267
Weighted average number of ordinary shares for the purposes of diluted earnings per share	67,723,927	67,937,872

9. Subsidiaries

Details of the Group's subsidiaries are as follows:

Name of subsidiary	Principal activity	Class of shares	Place of incorporation and operation	% ownership held by the Group 2020	2019
United Legal Services Limited	Development and hosting of internet-based software applications for legal services businesses	Ordinary	England & Wales	100%	100%
United Home Services Limited	Development and hosting of internet-based software applications for property services businesses	Ordinary	England & Wales	100%	100%
Legal-Eye Limited	Compliance consultancy services for solicitors	Ordinary	England & Wales	100%	100%
Conveyancing Alliance (Holdings) Limited	Intermediary non-trading holding company	Ordinary	England & Wales	100%	100%
Conveyancing Alliance Limited	Development and hosting of internet-based software applications for legal services businesses	Ordinary	England & Wales	100%	100%

10. Goodwill

	2020 £000's	2019 £000's
Opening value at 1 April and closing value at 31 March	11,008	11,008

Goodwill split by CGU is as follows:

	2020 £000's	2019 £000's
Core	4,524	4,524
CAL	6,484	6,484
	11,008	11,008

The recoverable amounts of intangible assets and goodwill was determined using value-in-use calculations, based on cash flow projections from a formally approved 24 month forecast which has been extrapolated into perpetuity. Account has been taken in the first 12 months in particular of the forecast of the impact of COVID-19 which are expected to significantly diminish positive cash flows. A growth rate of 2% has been applied to extrapolate the cash flows by reference to the long-term growth rate of the UK economy. The pre-tax discount rate for each CGU was 13.5% for Core and 15.6% for CAL which reflect current market assessments of the time value of money and specific risks.

11. Financial assets at FVOCI

	2020 £'000	2019 £'000
Opening value at 1 April	100	100
Changes in fair value of investments	(100)	–
Closing value at 31 March	–	100

The Group acquired 15% of Financial Eye on 27 February 2015 as a separately identifiable part of the transaction in which Legal Eye was acquired.

12. Investment in associates

	2020 £'000	2019 £'000
Opening value at 1 April	551	547
Share of profit/(losses) for the year	(18)	4
Closing value at 31 March	533	551

The Group acquired 35% of Homeowners Alliance Ltd on 29 February 2016. Homeowners Alliance Ltd's place of incorporation and operation is in the UK.

The associate is not material to the Group's results.

13. Intangible assets

	Capitalised development expenditure	Acquired technology platform	Customer and Introducer relationships	Brands £000's	Total £000's

	£000's	£000's	£000's		
Cost					
At 1 April 2018	4,088	1,117	3,619	568	9,392
Additions	798	–	–	–	798
Disposals	–	–	–	–	–
At 31 March 2019	4,886	1,117	3,619	568	10,190
Additions	905	–	–	–	905
Disposals	–	–	–	–	–
At 31 March 2020	5,791	1,117	3,619	568	11,095
Accumulated amortisation					
At 1 April 2018	1,830	160	567	115	2,672
Charge	536	124	359	57	1,076
Disposals	–	–	–	–	–
At 31 March 2019	2,366	284	926	172	3,748
Charge	658	124	357	57	1,196
Disposals	–	–	–	–	–
At 31 March 2020	3,024	408	1,283	229	4,944
Net book value					
At 1 April 2018	2,258	957	3,052	453	6,720
At 31 March 2019	2,520	833	2,693	396	6,442
At 31 March 2020	2,767	709	2,336	339	6,151

Amortisation is included within administrative expenses.

14. Property, plant and equipment

	Leasehold improvements £000's	Right of use assets £000's	Computer equipment £000's	Fixtures and fittings £000's	Total £000's
Cost					
At 1 April 2018	569	–	601	84	1,254
Additions	–	–	364	7	371
Disposals	–	–	(13)	–	(13)
At 31 March 2019	569	–	952	91	1,612
Transition to IFRS 16	–	565	–	–	565
Additions	246	1,058	119	40	1,463
Disposals	–	–	–	(3)	(3)
At 31 March 2020	815	1,623	1,071	128	3,637
Accumulated depreciation					
At 1 April 2018	530	–	384	68	982
Charge	39	–	155	10	204
Disposals	–	–	(11)	–	(11)
At 31 March 2019	569	–	528	78	1,175
Charge	10	121	186	7	324
Disposals	–	–	–	(2)	(2)
At 31 March 2020	579	121	714	83	1,497
Net book value					
At 1 April 2018	39	–	217	16	272
At 31 March 2019	–	–	424	13	437
At 31 March 2020	236	1,502	357	45	2,140

Depreciation is recognised within administrative expenses.

15. Inventories

	2020 £'000	2019 £'000
Work in progress	–	48

16. Trade and other receivables

	2020 £'000	2019 £'000
Current assets		
Trade receivables	1,302	1,307
Other receivables	286	335
Pre-payments	286	232
	1,874	1,874
Non-current assets		
Pre-payments	123	151
Long-term receivables (loans to associate)	250	200
	373	351

The Directors consider the carrying value of trade and other receivables is approximate to its fair value.

Details of the Group's exposure to credit risk is given in Note 21.

17. Cash and cash equivalents

	2020 £'000	2019 £'000
Cash at bank (GBP)	2,340	1,852

At March 2020 and 2019 materially all significant cash and cash equivalents were deposited with major clearing banks in the UK with at least an 'A' rating.

18. A) Share capital
Allotted, issued and fully paid
The Company has one class of Ordinary share which carries no right to fixed income nor has any preferences or restrictions attached.

	2020		2019	
	No	**£000's**	**No**	**£000's**

Ordinary shares of £0.004 each	64,871,276	259	64,828,057	259
	64,871,276	259	64,828,057	259

As regards income and capital distributions, all categories of shares rank pari passu as if the same constituted one class of share.

	2020 Number	**2019 Number**
Shares issued and fully paid		
Beginning of the year	64,828,057	64,828,057
New shares issue	43,219	–
Shares issued and fully paid	64,871,276	64,828,057

During the year the Company issued 43,219 new ordinary shares (2019: no shares issued).

18. B) Share-based payments
Ordinary share options:
The Group operates an EMI share option scheme to which the Executive Directors and employees of the Group may be invited to participate by the remuneration committee. Options are exercisable at a price equal to the closing price of the Company's share on the day prior to the date of grant. The options vest in three equal tranches, three, four and five years after date of grant. The options are settled in equity once exercised. Where the individual limits for an EMI scheme the options will be treated as unapproved but within the same scheme rules.

If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Options are forfeited if the employee leaves the Group before the options vest.

Options were valued using the Black-Scholes option-pricing model. The following table shows options issued which were outstanding as at 31 March 2020:

Date of grant	**Exercise price (£)**	**Share price at date of grant (£)**	**Options in issue as 31 March 2020**
18 August 2014	0.4000	0.4800	445,784
21 August 2015	0.5350	0.5350	38,835
7 November 2016	0.7025	0.7025	466,023
21 December 2016	0.7675	0.7675	777,865
2 May 2017	1.0600	1.0600	322,500
28 June 2018	1.3425	1.3425	527,500
9 August 2018	1.3325	1.3325	552,500

The Group recognised total expenses of £143,000 (2019: £42,000) related to share options accounted for as equity-settled share-based payment transactions during the year.

A reconciliation of option movements over the year to 31 March 2020 is shown below:

	As at 31 March 2020		As at 31 March 2019	
	Number of options	Weighted average exercise price £	Number of options	Weighted average exercise price £
Outstanding at 1 April	3,329,055	0.93	4,309,785	0.62
Granted	-	-	1,165,000	1.34
Forfeited prior to vesting	(109,520)	1.12	(1,969,928)	0.53
Exercised	(88,528)	0.48	(175,802)	0.41
Outstanding at 31 March	3,131,007	0.94	3,329,055	0.93

19. Trade and other payables

	2020 £000's	2019 £000's
Trade payables	1,707	2,313
PAYE and social security	149	139
VAT	680	693
Other creditors	294	25
Accruals and deferred income	466	419
Deferred/contingent consideration	-	2,224
	3,296	5,813

20. Borrowings

	2020 £000's	2019 £000's
Secured – at amortised cost		
Bank loan	1,750	2,750
Revolving cash flow facility	4,000	2,000
	5,750	4,750
Current	5,000	3,000

Non-current	750	1,750
	5,750	4,750

Reconciliation of liabilities arising from financing activities

	Bank loans £'000	Total debt £'000
Balance at 1 April 2019	4,750	4,750
Loan repayments	(1,000)	(1,000)
Movement in revolving cash flow facility	2,000	1,000
Subtotal		
Balance at 31 March 2020	5,750	4,750

Summary of borrowing arrangements:

- In December 2016, it took out a five year term loan for £5 million and now has a £4 million revolving cash flow facility. Both have a current interest rate of 1.70% above LIBOR. The term loan is subject to repayments of £250,000 plus accrued interest quarterly. At the end of the financial period £4 million was drawn down on the revolving cash flow facility and the balance on the term loan stood at £1.75m..
- Loans are secured by way of fixed and floating charges over all assets of the Group.
- Amounts shown represent the loan principals; accrued interest is recognised within accruals – any amounts due at the reporting date are paid within a few days.
- Post year-end a 6 month repayment holiday was agreed on the term loan, extending the period of the loan by 6 months. Also a £1m overdraft had been agreed.

21. Financial instruments
Classification of financial instruments

The Group applies the IFRS 9 simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component.

Trade receivables are written off when there is no reasonable expectation of recovery. Failure to make payments within 120 days from the invoice date and failure to engage with the Group on alternative payment arrangements amongst others are considered indicators of no reasonable expectation of recovery. The Group generally has a low incidence of unpaid receivables.

The tables below set out the Group’s accounting classification of each class of its financial assets and liabilities.

Financial assets

	Measured at fair value		Measured at amortised cost	
	2020 £000’s	**2019 £000’s**	**2020 £000’s**	**2019 £000’s**
Trade receivables net of provision for credit losses (note 16)	–	–	1,302	1,307
Loans and other receivables (note 16)	–	–	536	535

Financial assets at FVOCI (note 11)	–	100	–	–
Cash and cash equivalents (note 17)	–	–	2,340	1,852
	–	100	4,178	3,694

The investment in Financial Eye Limited represents a 15% equity interest in an unlisted company acquired in 2015. All of the above financial assets carrying values are approximate to their fair values, as at 31 March 2020 and 2019.

Financial liabilities

	Measured at fair value		Measured at amortised cost	
	2020 £000's	**2019 £000's**	**2020 £000's**	**2019 £000's**
Financial liabilities measured at amortised cost (note 19)	–	–	2,467	2,758
Borrowings (note 20)	–	–	5,750	4,750
Lease liability	–	–	1,467	–
Deferred/contingent consideration	–	2,224	–	–
	–	2,224	9,684	7,508

Current loan instruments are linked to LIBOR with a margin of 1.70% per annum, which is a fairly standard market rate.

Financial assets and financial liabilities measured at fair value in the Consolidated Balance Sheet are grouped into three Levels of a fair value hierarchy. The three Levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

The only financial liability carried at fair value is the contingent consideration (carried at fair value through profit or loss).

The fair value of contingent consideration related to the acquisition of Conveyancing Alliance Holdings Limited is estimated using a present value technique.

Level 3 fair value measurements

The reconciliation of the carrying amounts of financial instruments classified within Level 3 is as follows:

	Contingent consideration	
	2020 £000's	**2019 £000's**
Balance at 1 April 2019	2,224	4,674
Payments made	(2,337)	(2,934)

Movement in NPV	113	484
Balance at 31 March 2020	–	2,224

Financial instrument risk exposure and management
The Group's operations expose it to degrees of financial risk that include liquidity risk, credit risk and interest rate risk.

This note describes the Group's objectives, policies and process for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented in notes 15, 16, 17, 19, and 20.

Liquidity risk
Liquidity risk is dealt with in note 22 of this financial information.

Credit risk
The Group's credit risk is primarily attributable to its cash balances and trade receivables. The Group does not have a significant concentration of risk, with exposure spread over a number of third parties.

All of the Group's trade and other receivables have been reviewed for indicators of impairment. The Group suffers a very small incidence of credit losses. However, where management views that there is a significant risk of non-payment, a specific provision for impairment is made and recognised as a deduction from trade receivables.

	2020 **£000's**	**2019** **£000's**
Impairment provision	57	133

The amount of trade receivables past due but not considered to be impaired at 31 March is as follows:

	2020 **£000's**	**2019** **£000's**
Not more than 3 months	222	545
More than 3 months but not more than 6 months	6	12
More than 6 months but not more than 1 year	7	14
More than one year	6	58
Total	241	629

The credit risk on liquid funds is limited because the third parties are large international banks with a credit rating of at least A.

The Group's total credit risk amounts to the total of the sum of the receivables and cash and cash equivalents, as described in note 17.

Interest rate risk
The Group has secured debt as disclosed in note 20. The interest on this debt is linked to LIBOR and therefore there is an interest rate risk. However, the relative amount of debt outstanding is low which limits the risk.

The balances disclosed above represent the principal debt. Interest is paid quarterly, and all interest due has either been paid at each reporting date, or is paid within a few days of that date – in the latter case, interest accrued is included within accruals.

The Group's only other exposure to interest rate risk is the interest received on the cash held on deposit, which is immaterial.

22. Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash balances to ensure the Group can meet liabilities as they fall due.

In managing liquidity risk, the main objective of the Group is therefore to ensure that it has the ability to pay all of its liabilities as they fall due. The Group monitors its levels of working capital to ensure that it can meet its debt repayments as they fall due. The table below shows the undiscounted cash flows on the Group's financial liabilities as at 31 March 2020 and 2019, on the basis of their earliest possible contractual maturity.

	Total £000's	Within 2 months £000's	Within 2–6 months £000's	6–12 months £000's	1–2 years £000's	Greater than 2 years £000's
At 31 March 2020						
Trade payables	1,707	1,707	–	–	–	–
Other payables	294	294	–	–	–	–
Accruals	466	466	–	–	–	–
Lease liabilities	1,643	–	96	96	178	1,273
Loans	5,790	–	4,519	513	758	–
	9,900	2,467	4,615	609	936	1,273

	Total £000's	Within 2 months £000's	Within 2–6 months £000's	6–12 months £000's	1–2 years £000's	Greater than 2 years £000's
At 31 March 2019						
Trade payables	2,313	2,313	–	–	–	–
Other payables	25	25	–	–	–	–
Accruals	419	419	–	–	–	–
Deferred and contingent consideration	2,337	–	–	2,337	–	–
Loans	4,868	–	2,546	527	1,035	760
	9,962	2,757	2,546	2,864	1,035	760

The amounts payable for loans, as presented above, include the quarterly interest payments due in accordance with the terms described in note 20 in addition to the repayment of principal at maturity.

23. Capital management

The Group's capital management objectives are:

- To ensure the Group's ability to continue as a going concern; and
- To provide long-term returns to shareholders.

The Group defines and monitors capital on the basis of the carrying amount of equity plus its outstanding loan notes, less cash and cash equivalents as presented on the face of the Consolidated Balance Sheet and further disclosed in notes 17 and 20.

The Board of Directors monitors the level of capital as compared to the Group's commitments and adjusts the level of capital as is determined to be necessary by issuing new shares. The Group is not subject to any externally imposed capital requirements.

These policies have not changed in the year. The Directors believe that they have been able to meet their objectives in managing the capital of the Group.

The amounts managed as capital by the Group for the reporting period under review are summarised as follows:

	2020 £000's	**2019 £000's**
Total Equity	12,654	10,729
Cash and cash equivalents	2,340	1,852
Capital	14,994	12,581
Total Equity	12,654	10,729
Borrowings	5,750	4,750
Financing	18,404	15,479
Capital-to-overall financing ratio	0.81	0.81

24. Lease arrangements

The Group does not have an option to purchase any of the leased assets at the expiry of the lease periods.

The Group has leases over 3 properties, with remaining lease terms ranging from 1 to 10 years although there are break clauses in the longer leases.

Lease liabilities are secured by the related underlying assets. The undiscounted maturity analysis of lease liabilities at 31 March 2020 is as follows:

	Within one year £000's	**1-2 years £000's**	**2-5 years £000's**	**6-10 years £000's**	**Total £000's**
31 March 2020					
Gross liability	193	178	532	740	1,643

Finance charges	(35)	(31)	(70)	(40)	(176)
	158	147	462	700	1,467

The total cash outflow in respect of leases during the year was £181,000.

The interest expense in the year relating to lease liabilities was £26,000.

25. Financial commitments
There are no other financial commitments.

26. Retirement benefit plans
The Group operates a defined contribution pension scheme for its employees. The pension cost charge represents contributions payable by the Group and amounted to £340,000 (2019: £352,000).

27. Related party transactions
Directors:
G Wicks
A Weston
J Williams
M Rowland
O Scott
For remuneration of Directors please see note 4 and the more detailed disclosures in the Directors' Report.

Dividends paid to Directors are as follows:

	2020 £000's	**2019 £000's**
Geoff Wicks	1	1
Ben Thompson	–	–
Andrew Weston	31	30
John Williams	1	1

Oliver Scott has a beneficial interest in Kestrel who have a shareholding and would have received dividends in the period.

Legal-Eye Ltd uses a training platform provided by DeepHarbour Ltd, a company which Martin Rowland and his wife are the Directors and which they own more than 25% but less than 50%. During the year, the Group were invoiced £12,000 by DeepHarbour Ltd for the provision of its training platform. The was no balance outstanding at the period end. The terms of the provision of the training platform were in place prior to the appointment of Martin as a Director of the Group and are considered to be at arms-length.

28. Contingent liabilities
The Directors are not aware of any contingent liabilities within the Group or the Company at 31 March 2020 and 2019.

29. Ultimate controlling party
The Directors do not consider there to be an ultimate controlling party.

30. Events after the Balance Sheet date

There have been no reportable subsequent events between 31 March 2020 and the date of signing this report.

31. Dividends paid

	2020 £000's	2019 £000's
Final dividend for the year ended 31 March 2019 of 1.20p (2018: 1.15p) per share	774	741
1st Interim dividend 1.25p (2019: 1.20p) per share	807	774
Total dividends paid	1,581	1,515

The Directors have recommended that no final dividend be payable in respect of the year ended 31 March 2020.