ULS Technology plc

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

Final Results

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 2019.

Financial Highlights
- Revenue £30.0m (FY 2018: £30.7m)
- Gross Profit £12.5m (FY 2018: £12.5m)
- Underlying EBITDA[1] £6.3m (FY 2018: £6.4m)
- Underlying Profit Before Tax[1] £5.4m (FY 2018: £5.5m)
- Underlying EPS[1] 6.9p (FY 2018: 7.2p)
- Net debt £2.9m (FY 2018: £1.9m)
- Proposed dividend of 1.20p per share taking the total for the year to 2.40p per share (FY 2018: 2.30p per share)

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

Operating Highlights
- Further cemented market share
  - Particularly within the re-mortgage transaction segment
- Continued expansion of the sales team, focusing on the intermediary market
  - Increased emphasis on attracting mortgage brokers to use systems
  - Over 3,000 brokers placed instructions in the last quarter
  - Improved sales of higher margin services
- Re-contracted with the Lloyds Banking Group ("LBG")
- Launch of "DigitalMove" which aims to transform the experience of buying and selling property

Board Changes
- Steve Goodall took over as CEO in April 2018 having previously been MD of the business
  - Proven record growing similar businesses within the industry
- Elaine Bucknor joined Board as an independent Non-Executive Director in June 2018
- Martin Rowland joined the Board as an independent Non-Executive Director in November 2018

Steve Goodall, Chief Executive of ULS Technology plc, commented: "We have a proven profitable model, which once again delivered in difficult markets and, as such, are pleased with our performance during the period. Whilst we are conscious of the challenges in the wider housing market, we remain focused on further growing our routes to market and number of individual brokers actively using our systems. To that end, our continued focus on innovation and technology means that we are well placed to strengthen our position and further develop high margin routes to market.

"The launch of DigitalMove earlier this year highlights the significant opportunity for us to deliver market leading solutions that will benefit existing and new customers as we continue to disrupt entire value chains and ultimately help consumers to benefit from cheaper, quicker and more secure solutions."

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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
Against a difficult market backdrop, the Group has done well to maintain profits while investing for future growth. I am excited by the launch of DigitalMove and pleased with the initial feedback we have received.

Review of the year
Although there has been significant turbulence in our market over the past year, we continued to maintain profit levels while at the same time investing for future growth. We are confident that the market will improve once the political situation has stabilised and we will be well placed to drive growth with our new platform.

We continued our focus on the broker market and made good progress among lenders. We launched DigitalMove, our new platform, towards the end of last year and have started to install it more widely following a successful launch of the first phase.

An increasing number of mortgage brokers are placing orders through our systems driven by our growing telephone sales teams. We expect this to continue even during these more difficult times. The lender market is more long-term, but we made good progress with several smaller lenders waiting to come on stream. While the sales were made during last year it will take until some way through this year for revenue to start, so the full impact will not be felt until next year.

DigitalMove has the potential to significantly change the way the market works with documentation being streamlined and communicated digitally. We have already seen instructions pass through the system faster than previously. This is saving time and making the whole process more efficient and easier to track. Again, much of the investment in this new platform has been made during the last year while the full revenue impact will not be felt until at least next year.

While being a difficult year, reported profit before tax grew by 50%, largely due to a reduction in exceptional costs, while underlying profit before tax was maintained at broadly the same level as the prior year.

Final dividend
Subject to approval by shareholders at the Annual General Meeting to be held on 30 July 2019, the Board proposes a final dividend of 1.20p per share, payable on 2 August 2019 to those shareholders on the register at the close of business on 5 July 2019. This, together with the interim dividend of 1.20p per share already paid, takes the total proposed distribution relating to the year ended 31 March 2019 to 2.40p per share.

Board changes
There have been a number of changes to the Board in the past year, some of which were announced in last year's report. Steve Goodall took over as CEO in April 2018 having previously been MD of the business. Steve's in-depth existing knowledge of the business ensured a smooth transition whilst also enabling him to implement a number of changes to ensure the Group continues to be market-leading.

Elaine Bucknor joined our Board as an independent Non-Executive Director in June 2018. Elaine is a member of the Group Technology Executive team at Sky and we are already benefitting from her expertise on the Board.

Finally, Martin Rowland joined the Board as an independent Non-Executive Director in November 2018. Martin is a qualified accountant and is chairing the audit committee. Martin has spent many years working in corporate finance and private equity and his skills and experience will be particularly helpful when looking at potential acquisitions.

Outlook

The general housing market is likely to remain fairly flat over the near future, at least until an outcome on Brexit becomes clear. However, the Group is in a strong, profitable and cash generative position, with an enviable distribution network of introducers, and is therefore well positioned for when the market picks up.

DigitalMove looks set to be another industry leading product and will considerably widen the revenue earning possibilities for the Group once fully rolled-out. We are all very excited by the planned roll out and are looking forward to benefiting from our growing product portfolio.

Geoff Wicks
Independent Chairman
ULS Technology plc
18 June 2019

Chief Executive's statement

Over the reporting period, consumer confidence and the UK home-moving market have been dominated by Brexit. The UK Bank Base Rate saw its second rise in the last 10 years in August 2018. Job growth has remained strong thus far, with employment at record levels and wage growth rising, at last, above inflation. Housing transactions have therefore remained under pressure and house prices largely flat.

But beyond these political and economic forces are social and technology trends that are more long-term. People are living longer and moving less and while our adoption as a society of mobile digital technology continues to challenge the high-street, it offers opportunities to companies like ULS in equal measure.

It is against this backdrop that we believe ULS has performed well. We maintain a market share of circa 3% and continue to build our presence in our key market segments. We have continued to invest in our core business while developing new value propositions to support our business in the future.

Operational performance

Last year we invested in developing new technology to enable us to offer a more comprehensive range of conveyancing services to mortgage lenders, intermediaries, estate agents and conveyancing firms.

Launched in a pilot scheme in January this year, over 200 home-buyers and sellers have already used DigitalMove. It has been adopted by 11 of the UK's largest conveyancing firms (an increase of five from the original pilot) and a select number of mortgage intermediaries with a view to growing our future transactions exponentially. In addition we will launch our DigitalMove re-mortgage proposition in July to further support transactions on the platform. I am delighted that we have not only successfully launched the DigitalMove proposition but have already implemented learnings from the pilot for the roll out to the bulk of our conveyancing partner firms. DigitalMove represents a key competitive advantage for the Group in winning new business, and we believe that once introducers and their customers become familiar with the platform, they will continue to use the platform for the long-term. We expect to further monetise DigitalMove as it becomes more established. We are well on track to deliver on our DigitalMove objectives for this coming year.

Lenders are grappling with new technology and its impact on their entire lending process as they seek more efficient lending in the face of an oversupply of mortgage lenders and thin margins. The lending industry is embracing digitalisation not only in distribution but also in 'post offer' parts of the mortgage value chain. ULS, through DigitalMove and ULS Connect, offers a digital conveyancing solution that is unrivalled in the market and delivers significant efficiencies for lenders, their distributors and home-movers and owners.

Because of our innovation in this sector and the success of ULS Connect we have continued to secure valuable lender business. We will continue our efforts with lenders who need a company like ULS to help them navigate the digitisation of this complex value chain. Lender services continue to be a key part of our Group proposition but we are realistic that the market issues facing lenders have impacted their ability to embrace all we have to offer. We continue to advance steadily and are confident that improved market confidence will mean our ambitions for our lender services can be met over the coming couple of years.

Mortgage intermediaries are part of this digital journey too. Our strong historical ties to the larger intermediary firms, networks and clubs remains crucial to our role in being part of their future with our own digital offering and these have been enhanced as we leverage the learnings of CAL to implement a best practice sales model in delivering to the entire intermediary market.

There has been a lot of focus on increasing the number of individual brokers actively using our systems; this higher margin business has reduced the impact of volume decreases from our larger introducers. We exited the year with the number of active users increasing across both United Legal Services and CAL. Over the course the year, CAL increased the number of active users by 17%. This has been done while embedding a new management team into CAL and, on that note, I would like to thank the outgoing team of Harpal Singh and John Phillips for their valued contribution since the acquisition of CAL in December 2016 and to welcome and congratulate the new Managing Director, Mark Snape, and Sales Director, Keith Young, for achieving a seamless handover and continuing the growth profile of CAL.

Furthermore, brokers are adopting new Customer Relationship Platforms that offer another opportunity for ULS. The regulator's expression of frustration with broking recently prompted it to suggest that more digitalisation would improve outcomes for consumers. ULS is part of the answer to a better consumer journey.

Building a culture fit for purpose

The increasing focus of the entire value chain on digital solutions is good news for the Group. We are evolving too, to ensure our product innovation complements consumer expectations as well as those of our partners throughout the home-moving value chain. The individuals in this business are an integral part of delivering the solutions to our markets and we have worked hard to build a culture that understands the benefits of digital transformation in the conveyancing space. We are building a Group that is focussed on discovery and delivery.

Going forwards

We understand that we need to outperform our competitors and the market itself and, as part of doing this, we must build a Group that uses its technology prowess to support and unite an entire value chain that in turn helps consumers. This way we can secure more of the available market and be less dependent on market volumes dictating how we perform. If we grow through innovation, we can look forward to continued and even greater success in the near future. We think that the development of DigitalMove, enhanced lender services and an increase in active users of the systems provides a strong base for long term growth.

We are pleased with how the Group has performed over this last year and are taking advantage of the economic environment to position ourselves and our innovative new products for the home-moving market of tomorrow as well as of today.

Steve Goodall
Chief Executive Officer
ULS Technology plc
18 June 2019

Financial review

The Group delivered significant growth in IFRS profit before tax due to a reduction in exceptional costs while underlying profit remained broadly unchanged.

Summary

- Revenue £30.0 million (2018: £30.7 million).
- Gross margin £12.5 million (2018: £12.5 million).
- Underlying PBT £5.4 million (2018: £5.5 million).
- Reported PBT £4.1 million (2018: £2.7 million).
- Net debt £2.9 million (2018: £1.9 million).
- Group continues to pay a progressive dividend.
- Increase in diluted earnings per share of 70%.

Results

The Group delivered significant profit growth in 2019 with profit before tax up by 50%. This was due to a reduction in exceptional costs in the year. 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. Against the backdrop of a difficult housing market, underlying profit before tax remained broadly unchanged. Revenue fell slightly offset by an improvement in the gross margin percentage as the Group focussed on improving the mix of work it receives.

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.

	2019 £000's	**2018 £000's**
Underlying PBT	5,402	5,513
Capitalised development resource	(798)	(671)
Amortisation of capitalised development resource	536	474
Adjusted underlying PBT	5,140	5,316

The Group has continued its strategy of investing in development projects with more resource taken on as it continues to invest in the future of the Group. While there is development on a number of different projects, most significant is the development of DigitalMove which the Group sees as core to its future strategy and direction.

Shares and dividends

In January 2019, the Group paid an interim dividend of 1.20 pence per share. We have proposed a final dividend of 1.20 pence per share in line with our aim of paying the total dividend in two equal amounts.

No new shares have been 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 is due to be paid in July 2019 and is estimated to be £2,337,000. 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. The Board has been delighted with the performance of CAL since the acquisition and it continues to be a valuable asset for the Group.

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 £1 million;
- Dividends paid of £1.5 million; and
- Leverage rose from 0.29x to 0.46x as at 31 March 2019.
- 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 we expect to allow payment of a progressive dividend, while still investing in the growth of the business. Where opportunities exist, the business will also take on debt facilities to fund acquisitions and we aim to limit leverage to one times EBITDA which we are currently well below. Our bank covenants allow for much higher leverage.

Since year-end, the Group has agreed a £2 million 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.

Underlying PBT	**2019 £000's**	**2019 £000's**	**2018 £000's**	**2018 £000's**
Profit before taxation (PBT)		4,110		2, 735
Amortisation of intangible assets arising on acquisition		540		540
Exceptional operating costs				
Acquisition activity costs	268		85	
Adjustment to expected contingent consideration	484		2,062	
Exceptional operating costs		752		2,147
NPV adjustment of deferred consideration		–		91
Underlying PBT		5,402		5,513

Underlying EBITDA	**2019 £000's**	**2018 £000's**
Underlying PBT	5,402	5,513

Finance income	(12)	(6)
Finance costs	132	135
Amortisation (excluding arising on acquisition)	536	474
Depreciation	204	274
Underlying EBITDA	6,262	6,390

Board of Directors

Geoff Wicks
Independent Chairman

Geoff joined the Board as a Non-Executive Director when the Group listed in July 2014. He became Chairman of the Board in November 2017.

Geoff Wicks was CEO of Group NBT plc, a specialist in online brand protection and digital asset management, from 2001 until he led the sale of the business to HgCapital in 2011. He remained as part of the Group NBT business, now renamed NetNames, as a Non-Executive Director until 2013.

Geoff spent much of his earlier career at Reuters, including heading divisions in the UK, France and Nordic regions, and latterly was Director of Corporate Communications. Prior to Reuters, Geoff worked in the banking and insurance industries.

Steve Goodall
Chief Executive Officer

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

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
Finance Director

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.

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

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

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

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

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.

Martin Rowland
Independent Non-Executive Director

Martin joined as Non-Executive Director in November 2018 having previously been a Non-Executive Director of the Group between 2011 and 2014. Martin is Chair of the Audit and Remuneration Committees.

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.

Directors' report

The Directors present their report and the financial statements of ULS for the year ended 31 March 2019.

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

The main 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 on pages 10 and 11 and the Chief Executive's Statement on pages 20 and 21.

Dividends
A final dividend in respect of the year ended 31 March 2018 of 1.15 pence per share was paid on 3 August 2018. An interim dividend of 1.20 pence per share was paid on 4 January 2019. A final dividend of 1.20 pence per share is proposed by the Directors subject to approval at the AGM.

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 2019 are set out below:

	Ordinary shares		**Share options**	
	2019	**2018**	**2019**	**2018**
Peter Opperman	–	2,704,625	–	–
Andrew Weston	1,276,625	1,276,625	226,898	226,898
John Williams	48,291	48,291	485,809	485,809
Ben Thompson	–	53,333	–	1,618,698
Geoffrey Wicks	52,000	52,000	–	–
Steve Goodall	–	–	650,000	322,500
	1,376,916	4,134,874	1,362,707	2,653,905

Directors' remuneration

The following table sets out an analysis of the pre-tax remuneration for the year ended 31 March 2019 for the individual Directors who held office in the Company during the year:

	2019 Salary/fees £	2019 Bonuses £	2019 Benefits in kind £	2019 Sub Total £	2019 Share-based payment £	2019 Total £	2018 Total £
Peter Opperman	11,163	–	177	11,340	–	11,340	35,110
Andrew Weston	112,656	–	7,115	119,771	9,840	129,611	164,384
John Williams	130,667	–	19,641	150,308	12,060	162,368	181,662
Ben Thompson	28,330	–	1,548	29,878	(82,887)	(53,009)	223,632
Geoffrey Wicks	38,913	–	–	38,913	–	38,913	36,726
Steve Goodall	179,200	–	9,564	188,764	40,536	229,300	–
Elaine Bucknor	28,554	–	1,082	29,626	–	29,626	–
Martin Rowland	11,579	–	155	11,734	–	11,734	–
	559,893	**–**	**39,282**	**580,344**	**(20,451)**	**559,893**	**641,514**

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

Ben Thompson resigned as a Director on 4 April 2018. Peter Opperman resigned as a Director on 25 July 2018. Steve Goodall was appointed as a Director on 4 April 2018. Elaine Bucknor was appointed as a Director on 13 June 2018. Martin Rowland was appointed as a Director on 30 November 2018.

Share options and warrants

The share-based payment of £(20,451) (2018: £60,892) 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 2018:

	Options held at 31 March 2018	Options granted in period	Options exercised in period	Options lapsed in period	Options held at 31 March 2019	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
Ben Thompson	647,279	–	–	(647,279)	–	39.50	28/11/17	27/11/24
Ben Thompson	647,279	–	–	(647,279)	–	47.50	30/03/18	29/03/25
Ben Thompson	324,140	–	–	(324,140)	–	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

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 2019.

Shareholder	No. of shares	%
Kestrel Partners	14,963,265	23.08
Schroder Investment Management	6,585,816	10.16
Nigel Hoath	5,713,433	8.81
Unicorn Asset Management	5,150,200	7.94
River and Mercantile Asset Management	4,645,860	7.17
Herald Investment Management	4,400,000	6.79
Lombard Odier Investment Managers	3,009,954	4.64
BlackRock	2,794,022	4.31
Tellworth Investments	1,945,949	3.00

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 shown on page 46.

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 pages 63 to 65 of the financial statements.

Corporate governance
ULS Technology plc and its subsidiaries are committed to high standards of corporate governance. The Directors recognise the importance of sound corporate governance and confirm that they aim to comply with best practice appropriate for a company of its nature and scale.

Audit Committee Report

The Audit Committee is chaired by Martin Rowland and includes Geoff Wicks and Elaine Bucknor. It meets at least twice a year and may invite other Directors to attend its meetings. The Committee is responsible for reviewing a wide range of matters, including half-year and annual results before their submission to the Board, and for monitoring the controls that are in force to ensure the integrity of information reported to the shareholders. The Audit Committee will also meet with the auditors without the presence of the Executive Directors.

During the year Martin replaced Peter Opperman as chair of the committee. As chair, Martin met with the external auditors prior to the audit to discuss areas of risk and where particular focus should be placed. The committee agreed with the areas identified by the external auditors as key audit matters as reported on Page 36.

Grant Thornton have been the external auditors for the Group for five years. As a matter of course, the Audit Committee will review and benchmark the external auditors of the Group prior to the next audit. This review will not preclude Grant Thornton continuing as auditors.

Remuneration Committee Report

The Remuneration Committee is chaired by Geoff Wicks and includes Martin Rowland and Elaine Bucknor. It meets at least twice a year and no Director is permitted to participate in discussion or decisions concerning his own remuneration. The Remuneration Committee reviews the performance of the Executive Directors. It sets and reviews the scale and structure of their remuneration, the basis of their remuneration and the terms of their service agreements with due regard to the interests of shareholders. In determining the remuneration of Executive Directors, the Remuneration Committee will seek to enable the Group to attract and retain staff of the highest calibre. The Remuneration Committee will also make recommendations to the Board concerning the allocation of share options to employees.

The remuneration of Directors and the share options they hold can be seen on pages 32 and 33. The Executive Directors are primarily rewarded through basic salary, annual bonuses and share options. The bonuses are primarily based on profit growth over one year. Share options are used to incentivise longer-term profit growth and value creation. The committee are of the opinion that by using this combination of incentives the Executives are fully aligned with the interests of the shareholders.

Although the Group performed well during the year broadly maintaining profits in a difficult market, this meant that there were no bonuses payable to the Executives for the year. The bonus policy of paying bonuses from profit growth will continue for the year ending March 2020.

Steve Goodall was awarded additional share options as outlined on page 33 in recognition of him becoming CEO.

Pay reviews for the Executive are conducted annually and the committee uses external benchmarking reports as an aid. During the reporting year, the committee revised the package for Steve Goodall in recognition of his change of role. Additionally, there was an above inflation rise for John Williams as a result of the benchmarking exercise.

Nominations Committee Report

The Nominations Committee is chaired by Elaine Bucknor and includes Martin Rowland and Geoff Wicks. It meets at least twice a year and is responsible for reviewing the size, structure and composition of the Board, succession planning, the appointment and/or replacement of additional Directors and for making appropriate recommendations to the Board.

During the reporting year, the committee was very active appointing Steve Goodall, Elaine Bucknor and Martin Rowland. Additionally, Elaine became chair of the committee taking over from Geoff Wicks. While this represented quite a lot of change in terms of Board members, the succession planning that had previously been put in place enabled Steve to step up from his role as MD to CEO and allowed for a relatively seamless transition.

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 judgements 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
CEO
ULS Technology plc

John Williams
Finance Director
ULS Technology plc
18 June 2019
Company number: 07466574

Consolidated Income Statement
for the year ended 31 March 2019

	Notes	2019 £000's	2018 £000's
Revenue	1	29,963	30,672
Cost of sales		(17,450)	(18,192)
Gross profit		12,513	12,480
Administrative expenses		(7,531)	(7,378)
Operating profit before exceptional expenses		4,982	5,102
Exceptional admin expenses	3	(752)	(2,147)
Operating profit	2	4,230	2,955
Finance income	5	12	6
Finance costs	6	(132)	(135)
Exceptional finance costs	6	–	(91)
Profit before tax		4,110	2,735
Tax expense	7	(827)	(769)
Profit for the financial year attributable to the Group's equity shareholders		3,283	1,966
Earnings per share from operations			
Basic earnings per share (£)	8	0.0509	0.0305
Diluted earnings per share (£)	8	0.0483	0.0284

Consolidated statement of comprehensive income
for the year ended 31 March 2019

	2019 £000's	2018 £000's
Profit for the financial year	3,283	1,966
Total comprehensive income for the financial year attributable to the owners of the parent	3,283	1,966

Consolidated Balance Sheet
as at 31 March 2019

	Notes	2019 £000's	2018 £000's
Assets			
Non-current assets			
Intangible assets	13	6,442	6,720
Goodwill	10	11,008	11,008
Financial assets at FVOCI	11	100	100
Investment in associates	12	551	547
Property, plant and equipment	14	437	272
Long-term receivables	16	200	200
Prepayments	16	151	153
		18,889	19,000
Current assets			
Inventory	15	48	55
Trade and other receivables	16	1,874	1,511
Cash and cash equivalents	17	1,852	2,889
		3,774	4,455
Total assets		22,663	23,455

Equity and liabilities			
Capital and reserves attributable to the Group's equity shareholders			
Share capital	18	259	259
EBT reserve		(484)	(527)
Share premium		4,585	4,585
Capital redemption reserve		113	113
Share based payment reserve		293	267
Retained earnings		5,973	4,643
Total equity		10,739	9,340
Non-current liabilities			
Borrowings	20	1,750	2,750
Contingent consideration	28	–	2,100
Deferred taxation	7	1,031	747

		2,781	5,597
Current liabilities			
Trade and other payables	19	5,813	6,184
Borrowings	20	3,000	2,000
Current tax payable		330	334
		9,143	8,518
Total liabilities		11,924	14,115
Total equity and liabilities		22,663	23,455

Consolidated statement of changes in equity
for the year ended 31 March 2019

	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 2017	259	–	4,585	113	151	4,145	9,253
Profit for the year	–	–	–	–	–	1,966	1,966
Total comprehensive income	–	–	–	–	–	1,966	1,966
Purchase of shares by EBT	–	(1,050)	–	–	–	–	(1,050)
Exercise of options	–	523	–	–	(25)	(293)	205
Share-based payments	–	–	–	–	141	–	141
Deferred taxation share options	–	–	–	–	–	277	277
Payment of dividends	–	–	–	–	–	(1,452)	(1,452)
Total transactions with owners	–	(527)	–	–	116	(1,468)	(1,879)
Balance at 31 March 2018	259	(527)	4,585	113	267	4,643	9,340
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 2019	259	(484)	4,585	113	293	5,973	10,739

Consolidated statement of cash flows
for the year ended 31 March 2019

	Notes	2019 £000's	2018 £000's
Cash flow from operating activities			
Profit for the financial year before tax		4,110	2,735
Finance income	5	(12)	(6)
Finance costs	6	132	226
Loss on disposal of plant and equipment		1	–
Share of loss from associate	12	(4)	2
Amortisation	13	1,076	1,014
Depreciation	14	204	274
Share-based payments		42	141
Tax paid		(824)	(1,134)
		4,725	3,252
Changes in working capital			
Decrease/(Increase) in inventories		7	(15)
(Increase)/decrease in trade and other receivables		(361)	185
Increase in trade and other payables		463	2,431
Cash inflow from operating activities		4,834	5,853
Cash flow from investing activities			
Purchase of intangible software assets	13	(798)	(670)
Purchase of property, plant and equipment	14	(371)	(30)
Disposal of property, plant and equipment		1	–
Payment of contingent/deferred consideration		(2,934)	(1,080)
Interest received	5	12	6
Net cash used in investing activities		(4,090)	(1,774)
Cash flow from financing activities			
Dividends paid	32	(1,515)	(1,452)
Interest paid	6	(132)	(135)
Movement on RCF	20	1,000	–

Repayment of loans	20	(1,000)	(1,000)
Shares Traded by EBT		(134)	(845)
Net cash used in financing activities		(1,781)	(3,432)
Net (decrease)/increase in cash and cash equivalents		(1,037)	647
Cash and cash equivalents at beginning of financial year		2,889	2,242
Cash and cash equivalents at end of financial year		1,852	2,889

Notes to the consolidated financial statements

Principal accounting policies

Basis of preparation
The principal accounting policies of the Group are set out in the Group's 2018 annual report and financial statements. A number of new or amended standards became effective from the 1 April 2018:

- IFRS 9 'Financial Instruments'
- IFRS 15 'Revenue from Contracts with Customers'

Full disclosure of the transition will be included in the 2019 Financial Statements, but the Company has not identified any changes to its accounting policies that require retrospective adjustment.

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:

	2019 £000's	**2018 £000's**
Customer 1	6,125	5,854
Customer 2	3,682	4,255

2. Operating profit

Operating profit is stated after charging:	**2019 £000's**	**2018 £000's**
Fees payable to the Group's auditors for the audit of the annual financial statements	30	27
Fees payable to the Group's auditors and its associates for other services to the Group:		
– Audit of the accounts of subsidiaries	21	21
– Tax compliance services	–	–
– Tax advisory services	–	3
– Audit-related assurance services	–	15
Amortisation	1,076	1,014
Depreciation	204	274
Operating lease rentals payable:		
– Office and equipment	82	68

3. Exceptional administrative expenses

	2019 £000's	2018 £000's
Acquisition expenses (including abortive costs)	269	85
Adjustment to expected contingent consideration	483	2,062
	752	2,147

Acquisition expenses in 2019 relates to abortive costs only.

Part of the consideration for CAL is contingent on their performance in the period between acquisition and 31 March 2019. The Board periodically reviews CAL's performance and updates its estimate of the final consideration payable. The adjustment to the expected deferred consideration in the table above reflects the fact that CAL have performed above initial expectations and the Board have therefore increased its estimate of the final consideration payable. The estimate is now at the maximum payable and therefore there should be no further increases.

4. Directors and employees

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

	2019 £000's	2018 £000's
Staff costs		
Wages and salaries	4,242	4,225
Social security costs	523	573
Pension costs	352	223
	5,117	5,021

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

	2019 Number	2018 Number
By activity:		
Production	30	25
Distribution	35	31
Administrative	20	19
Management	12	12
	97	87

	2019 £000's	2018 £000's
Remuneration of Directors		
Emoluments for qualifying services	524	621

Pension contributions	36	21
Social security costs	90	74
	650	716

	2019 £000's	**2018 £000's**
Highest paid Director		
Remuneration	229	224

The highest paid Director received share options as shown in the Directors' report on page 33.

A breakdown of the emoluments for Directors can be found in the Directors' report on page 32.

Key management personnel are identified as the Executive Directors (and Steve Goodall in the prior year).

	2019 £000's	**2018 £000's**
Remuneration of key management		
Emoluments for qualifying services	433	887
Pension contributions	35	22
Social security costs	81	90
	549	999

327,500 share options have been issued to Steve Goodall during the 2019 financial year (2018:322,500); see page 33.

No share options have been exercised during the year by Ben Thompson, (2018: 323,639).

Payments of pensions contributions have been made on behalf of Directors (see page 32).

Share option expense relating to key management other than Directors included in the above table was £nil (2018: £21,000)

5. Finance income

	2019 £000's	**2018 £000's**
Bank interest	12	6

6. Finance costs

	2019 £000's	**2018 £000's**
Interest on borrowings	(132)	(135)

Exceptional Finance costs		
NPV adjustment of deferred consideration	–	(91)
	–	(91)

7. Taxation

Analysis of credit in year	**2019 £000's**	**2018 £000's**
Current tax		
United Kingdom		
UK corporation tax on profits for the year	820	850
Deferred tax		
United Kingdom		
Origination and reversal of temporary differences	7	(81)
Corporation tax charge	827	769

The differences are explained as follows:

	2019 £000's	**2018 £000's**
Profit before tax	4,110	2,735
UK corporation tax rate	19%	19%
Expected tax expense	781	520
Adjustments relating to prior year	(4)	(56)
Adjustment for additional R&D tax relief	(158)	(140)
Deferred tax not recognised	54	–
Adjustment for non-deductible expenses		
– Expenses not deductible for tax purposes	173	461
– Other permanent differences	(19)	(16)
Income tax charge	827	769

Deferred tax

	2019 £000's	**2018 £000's**
Deferred tax liabilities at applicable rate for the period of 19%:		

Opening balance at 1 April	747	1,092
– Property, plant and equipment and capitalised development spend temporary differences	49	119
– Deferred tax recognised on acquisitions of Legal Eye and Conveyancing Alliance (note 28)	(96)	(96)
– Deferred tax on share options	331	(368)
Deferred tax liabilities – closing balance at 31 March	1,031	747

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

	2019 £	2018 £
Total basic earnings per share	0.0509	0.0305
Total diluted earnings per share	0.0483	0.0284

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

	2019 £000's	2018 £000's
Earnings used in the calculation of total basic and diluted earnings per share	3,283	1,966

Number of shares	2019 Number	2018 Number
Weighted average number of Ordinary Shares for the purposes of basic earnings per share	64,462,605	64,549,992

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	2019 Number	2018 Number
Dilutive (potential dilutive) effect of share options, conversion shares and warrants	3,475,267	4,589,034
Weighted average number of ordinary shares for the purposes of diluted earnings per share	67,937,872	69,139,026

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 2019	2018

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

	2019 £000's	2018 £000's
Opening value at 1 April and closing value at 31 March	11,008	11,008

Goodwill split by CGU is as follows:

	2019 £000's	2018 £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 12-month forecast which has been extrapolated into perpetuity. 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.

The analysis performed calculates that the recoverable amount of each CGU's assets exceeds their carrying value, as such no impairment was identified. As outlined in last year's Annual Report, the Legal Eye CGU has increasingly becoming indistinct from the Core CGU with resource being shared and a joint product offering. The Directors have judged that Legal Eye no longer remains a distinct CGU and have transferred the associated goodwill into the Core CGU.

11. Financial assets at FVOCI

	2019 £'000	2018 £'000
Opening value at 1 April	100	100
Changes in fair value of investments	–	–

Closing value at 31 March	100	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

	2019 £'000	**2018 £'000**
Opening value at 1 April	547	549
Share of profit/(losses) for the year	4	(2)
Closing value at 31 March	551	547

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 £000's	**Acquired technology platform £000's**	**Customer and Introducer relationships £000's**	**Brands £000's**	**Total £000's**
Cost					
At 1 April 2017	3,418	1,117	3,619	568	8,722
Additions	670	–	–	–	670
Disposals	–	–	–	–	–
At 31 March 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
Accumulated amortisation					
At 1 April 2017	1,356	36	208	58	1,658
Charge	474	124	359	57	1,014
Disposals	–	–	–	–	–
At 31 March 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
Net book value					
At 1 April 2017	2,062	1,081	3,411	510	7,064
At 31 March 2018	2,258	957	3,052	453	6,720
At 31 March 2019	2,520	833	2,693	396	6,442

Amortisation is included within administrative expenses.

14. Property, plant and equipment

	Leasehold improvements £000's	**Computer equipment £000's**	**Fixtures and fittings £000's**	**Total £000's**
Cost				
At 1 April 2017	569	619	84	1,272
Additions	–	30	–	30
Disposals	–	(48)	–	(48)
At 31 March 2018	569	601	84	1,254
Additions	–	364	7	371
Disposals	–	(13)	–	(13)
At 31 March 2019	569	952	91	1,612
Accumulated depreciation				
At 1 April 2017	411	293	52	756
Charge	119	139	16	274
Disposals	–	(48)	–	(48)
At 31 March 2018	530	384	68	982
Charge	39	155	10	204
Disposals	–	(11)	–	(11)
At 31 March 2019	569	528	78	1,175
Net book value				

At 1 April 2017	158	326	32	516
At 31 March 2018	39	217	16	272
At 31 March 2019	–	424	13	437

15. Inventories

	2019 £'000	2018 £'000
Work in progress	48	55

16. Trade and other receivables

	2019 £'000	2018 £'000
Current assets		
Trade receivables	1,307	1,017
Other receivables	335	307
Pre-payments	232	187
	1,874	1,511
Non-current assets		
Pre-payments	151	153
Long-term receivables (loans to associate)	200	200
	351	353

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

	2019 £'000	2018 £'000
Cash at bank (GBP)	1,852	2,889

At March 2019 and 2018 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.

	2019		2018	
	No	£000's	No	£000's
Ordinary shares of £0.004 each	64,828,057	259	64,828,057	259
	64,828,057	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.

	2019 Number	2018 Number
Shares issued and fully paid		
Beginning of the year	64,828,057	64,828,057
New shared issue	–	–
Shares issued and fully paid	64,828,057	64,828,057

During the year the Company has not issued any new ordinary shares (2018: 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 2019:

Date of grant	Exercise price (£)	Share price at date of grant (£)	Options in issue as 31 March 2019
18 August 2014	0.4000	0.4800	491,093
21 August 2015	0.5350	0.5350	47,465
4 March 2016	0.5600	0.5600	43,219
7 November 2016	0.7025	0.7025	491,913
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	627,500

The Group recognised total expenses of £42,000 (2018: £141,000) 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 2019 is shown below:

	As at 31 March 2019		**As at 31 March 2018**	
	Number of options	**Weighted average exercise price £**	**Number of options**	**Weighted average exercise price £**
Outstanding at 1 April	4,309,785	0.62	4,552,364	0.56
Granted	1,165,000	1.34	322,500	1.06
Forfeited prior to vesting	(1,969,928)	0.53	(47,465)	0.60
Exercised	(175,802)	0.41	(517,614)	0.40
Outstanding at 31 March	3,329,055	0.93	4,309,785	0.62

19. Trade and other payables

	2019 £000's	**2018 £000's**
Trade payables	2,313	1,942
PAYE and social security	139	126
VAT	693	725
Other creditors	25	27
Accruals and deferred income	419	789
Contingent consideration	2,224	2,575
	5,813	6,184

20. Borrowings

	2019 £000's	**2018 £000's**
Secured – at amortised cost		
Bank loan	2,750	3,750
Revolving cash flow facility	2,000	1,000
	4,750	4,750
Current	3,000	2,000
Non-current	1,750	2,750

	4,750	4,750

Reconciliation of liabilities arising from financing activities

	Bank loans £'000	Total debt £'000
Balance at 1 April 2018	4,750	4,750
Loan repayments	(1,000)	(1,000)
Movement in revolving cash flow facility	1,000	1,000
Subtotal		
Balance at 31 March 2019	4,750	4,750

Summary of borrowing arrangements:

- In December 2016, it took out a five-year term loan for £5 million and a £2 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 £2 million was drawn down on the revolving cash flow facility.
- 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 the revolving cash flow facility was increased to £4 million.

21. Financial instruments

Classification of financial instruments

The fair value hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities.
The fair value hierarchy has the following levels:

- 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 (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

The Group holds investments at fair value through other comprehensive income. Investments in unlisted shares are a level 3 valuation as the quoted price is not available.

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	
	2019 £000’s	**2018 £000’s**	**2019 £000’s**	**2018 £000’s**

Loans and receivables (note 16)	–	–	1,842	1,524
Financial assets at FVOCI (note 11)	100	100	–	–
Cash and cash equivalents (note 17)	–	–	1,852	2,889
	100	100	3,694	4,413

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 2019 and 2018.

Financial liabilities

	Measured at fair value		**Measured at amortised cost**	
	2019 £000's	**2018 £000's**	**2019 £000's**	**2018 £000's**
Financial liabilities measured at amortised cost (note 22)	–	–	2,758	2,757
Borrowings (note 20)	–	–	4,750	4,750
Contingent consideration	2,224	4,674	–	–
	2,224	4,674	7,508	7,507

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 Group carries none of its assets at fair value. 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.

For Conveyancing Alliance Holdings Limited, the £2,224,000 fair value is using as estimated amount of consideration due adjusting for risk and discounting at 16.2%. The estimated consideration before discounting is £2,337,000. The discount rate used is 16.2%, based on the Group's estimated weighted average cost of capital at the reporting date, and therefore reflects the Group's credit position. Sensitivity analysis using a +/- 1% change in the discount rate gives a fair value range of £2,230,000 to £2,217,000.

Level 3 fair value measurements

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

	Contingent consideration	
	2019 £000's	**2018 £000's**
Balance at 1 April 2018	4,674	3,602
Acquired through business combination	–	–
Payments made	(2,934)	(1,080)
Movement in consideration	–	1,404
Movement in NPV	484	748
Balance at 31 March 2019	2,224	4,674

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.

	2019 £000's	**2018 £000's**
Impairment provision	133	126

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

	2019 £000's	**2018 £000's**
Not more than 3 months	545	74
More than 3 months but not more than 6 months	12	4
More than 6 months but not more than 1 year	14	39
More than one year	58	12
Total	629	129

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 2019 and 2018, 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 2019						
Trade payables	2,313	2,313	–	–	–	–
Other payables	25	25	–	–	–	–
Accruals	419	419	–	–	–	–
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

	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 2018						
Trade payables	1,942	1,942	–	–	–	–

Other payables	27	27	–	–	–	–
Accruals	789	789	–	–	–	–
Contingent consideration	5,272	–	–	2,707	2,565	–
Loans	4,917	–	1,544	534	1,051	1,788
	12,947	2,758	1,544	3,241	3,616	1,788

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:

	2019 £000's	**2018 £000's**
Total Equity	11,026	9,340
Cash and cash equivalents	1,852	2,889
Capital	12,878	12,229
Total Equity	11,026	9,340
Borrowings	4,750	4,750
Financing	15,776	14,090
Capital-to-overall financing ratio	0.82	0.87

24. Operating lease arrangements

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

Payments recognised as an expense	**2019**	**2018**

	£000's	£000's
Minimum lease payments	75	68

Non-cancellable operating lease commitments	2019 £000's	2018 £000's
Not later than 1 year	1	42
Later than 1 year and not later than 5 years	311	35
	312	77

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 £352,000 (2018: £223,000).

27. Related party transactions
Directors:
P Opperman (resigned 25 July 2018)
G Wicks
B Thompson (resigned 4 April 2018)
A Weston
J Williams

Dividends paid to Directors are as follows:

	2019 £000's	2018 £000's
Peter Opperman	–	58
Geoff Wicks	1	1
Ben Thompson	–	1
Andrew Weston	30	27
John Williams	1	1

28. Contingent liabilities
The Directors are not aware of any contingent liabilities within the Group or the Company at 31 March 2019 and 2018.

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 2019 and the date of signing this report.

31. Dividends paid

	2019 £000's	2018 £000's
Final dividend for the year ended 31 March 2018 of 1.15p (2017: 1.10p) per share	741	711
1st Interim dividend 1.20p (2017: 1.15p) per share	774	741
Total dividends paid	1,515	1,452

As well as the dividends paid as shown in the table above, the Board proposes a final dividend of £774,000 (1.20 pence per share) in respect of the year ended 31 March 2019 and subject to approval at the Annual General Meeting. As the final dividend is declared after the Balance Sheet date it is not recognised as a liability in these financial statements.

32. Publication of non-statutory accounts

The above does not constitute statutory accounts within the meaning of the Companies Act 2006. It is an extract from the full accounts for the year ended 31 March 2019 on which the auditor has expressed an unmodified opinion and does not include any statement under section 498 of the Companies Act 2006. The accounts will be posted to shareholders on or before 01 July 2019 and subsequently filed at Companies House.