Delivering Strategy, Driving Growth

Annual Report & Accounts

2017

ULS technology

ULS® technology

A UK leader in the provision of online legal services

Highlights

- **Exceeded market expectations**

  Delivered higher than predicted revenue and profit despite difficult market conditions.

- **Delivered growth**

  Despite the uncertain economic environment and a sluggish housing market, the business continued its track record of increasing year-on-year profits.

- **Acquisition of Conveyancing Alliance ("CAL")**

  The successful acquisition of CAL delivers significant new growth opportunities for the business, specifically targeting estate agents and mortgage brokers, supporting its strategy to become the leading handler of conveyancing in the UK.

- **Further widening of distribution**

  The business has won a number of new introducer contracts, which, combined with the acquisition of CAL, has reduced the run-rate percentage of business from the largest introducer down to below 40%.

- **Lender solutions**

  There has been a focus on widening the Group's offering to lenders to build on its excellent reputation in the market. This has resulted in the winning of a number of new contracts.

Revenue

£22.3m

+8%

(2016: £20.7m)

EBITDA (underlying)

£5.1m

+14%

(2016: £4.5m)

Profit before tax (underlying)

£4.4m

+15%

(2016: £3.8m)

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You can help us to reduce our environmental impact by opting to receive shareholder communications online at **www.ulstechnology.com/investors**

At a glance

Our vision

To become the leading service provider of technology comparison solutions to the Legal Services, Financial Services and Property sectors. Our central and unerring focus will be to help an increasing number of customers to move home as easily and cost-effectively as possible.

Our mission

To help customers who are making important lifetime decisions to have the best possible experience, and feel they have received excellent value.

Our strategy

We will achieve our vision through a clear and deliberate strategy.

Always improving
We will consistently strive to understand exactly what our customers and business partners want, and deliver this to them.

Innovation
We will develop new products and services that enable us to hold a competitive advantage over other firms in our market.

Growth
Through constantly improving and trying to perfect the products and services we offer, we will attract increased new business from our existing customers and business partners. Additionally, we will forge new relationships that will increase new business, including acquiring other businesses where appropriate to do so.

What we do

We bring together customers and solicitors utilising technology backed-up by excellent customer service. We provide customers with choice, price competition and quality ratings. We provide solicitors and conveyancers with the opportunity to win work with no upfront cost.

Our distribution channels

We primarily provide our services through white-labels to mortgage brokers, banks, building societies and price comparison websites amongst others. Our service allows them to provide their customers choice and enables them to complete mortgage applications efficiently.

Revenue

£22.3m

Revenue is generated principally from the completion of conveyancing cases and also the associated sales of searches and ID checks.

EBITDA (underlying)

£5.1m

EBITDA (underlying) excludes exceptional items (see reconciliation on page 16).

Conveyancing instructions

89,208

A conveyancing instruction is the point where a customer chooses a conveyancer through the ULS platform. This provides a strong indication of future revenues. Instructions typically take three or four months to complete with around 70% reaching completion.

Conveyancing completions

56,789

A conveyancing completion is when the conveyancing transaction has been marked as completed on the ULS platform by the conveyancer. This is the point where revenue is recognised on a conveyancing case.

Investment case

Profitable Growth

The Group has a long track record of profitable growth. It has increased its market share and has plenty of scope to maintain this momentum via organic and acquisitive growth.

Cash Generative

The Group is highly cash generative, turning a high percentage of profit into cash. This allows it to invest in future growth, product development and acquisitions whilst still paying a dividend.

Progressive Dividend

The growth and cash generation of the business has allowed it to pay a progressive dividend. The directors intend to continue to pursue this policy of increasing the dividend payment each year.

Independent

Unlike many of the Group's competitors, the business does not undertake any conveyancing itself. This allows it to give customers an independent choice, and engenders a feeling of trust in the quality ratings that the Group publishes, on each solicitor or conveyancer on its panel.

Proprietary IT

The websites and the sophisticated background technology that the Group operates are all built in-house. The Group has a strategy of continual innovation and improvement.

Strategic Report

Chairman's statement

I am delighted with the progress the Group has shown this year in terms of profit growth, with our first large acquisition trading well. There are good prospects for the coming year as we increase our market share.

Review of the year

Over the last few years the Group has been developing a growing pipeline of prospective business. Bringing a number of these prospects on stream during the year, as well as a keen focus on maintaining high-levels of service for existing introducers, allowed the business to grow over the period. I was particularly pleased to see us organically grow our transactional volumes by 4% while the market shrank in volume terms by 13%.

There were challenging times with the changes in the buy-to-let regulations, followed by the slow down post EU referendum. However, this was less prolonged than initially feared and the housing market returned to more normal levels in the autumn, although the longer-term issue of a lack of housing stock for sale is still a factor.

The business has developed and launched a new panel management solution for lenders which has been well received and has resulted in a number of new contracts being won. Some of these contracts have only recently gone live and I am excited by the opportunities for the business in this area.

Final dividend

Subject to approval by shareholders at the Annual General Meeting to be held on 28 July 2017, the board proposes a final dividend of 1.10p per share, payable on 4 August 2017 to those shareholders on the register at the close of business on 7 July 2017. This, together with interim dividend of 1.10p per share already paid, takes total proposed distributions relating to the year ending 31 March 2017 to 2.20p per share.

Acquisition of Conveyancing Alliance Holdings Limited (CAL)

The Group was delighted CAL joined us in December 2016. Harpal Singh and John Phillips have done an excellent job in building a profitable business with an excellent reputation; their openness to improving both our businesses' profitability is welcome.

CAL provides similar conveyancing services to United Legal Services in the mortgage broker and estate agency channels, but with some service and brand differences which will be maintained. Since acquisition CAL has continued to grow and has contributed to the overall Group's profitability in the year under review.

Board changes

As trailed in the last Annual Report, Nigel Hoath, founder of the Group, stepped down from his position as Non-executive Director in August. Again, our thanks go to Nigel for his contribution to building the business.

Outlook

The prospects for the housing market and the wider economy remain uncertain but with Brexit two years away there appears to be a general feeling of just getting on with things. While there was a fall in housing transactions last year, the OBR is predicting a modest increase this year. Whatever the backdrop, the business has a good pipeline of prospects and will continue to help its existing introducers to grow their business. The Group is focused on providing the customer with an excellent experience and will continue to develop products and services which further enhance this.

The Group has had another busy year bringing on new clients while coping with changing market conditions. We are very much a people business and everyone has been asked to row just a little harder during the year and I am delighted that they have risen to the challenge. I would like to thank all our staff for their adaptability and enthusiasm. We have been able to increase the number of employees who hold options during the year meaning that two-thirds of our staff now hold options enabling them to share in our success.

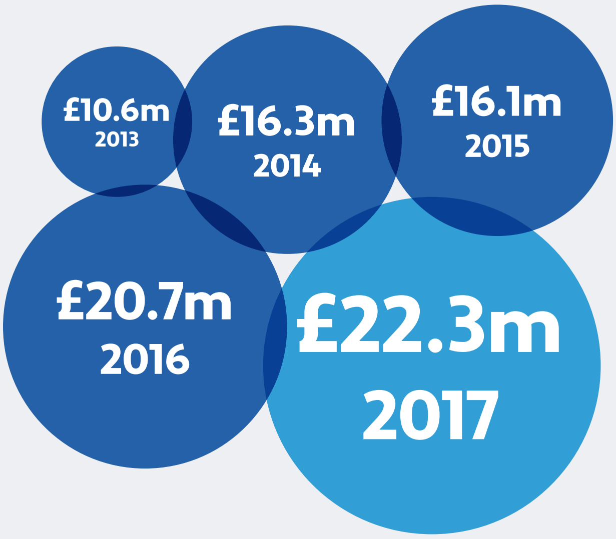
The team at ULS looks forward to the coming year.

Peter Opperman
Non-executive Chairman
ULS Technology plc
26 June 2017

Revenue

£22.3m

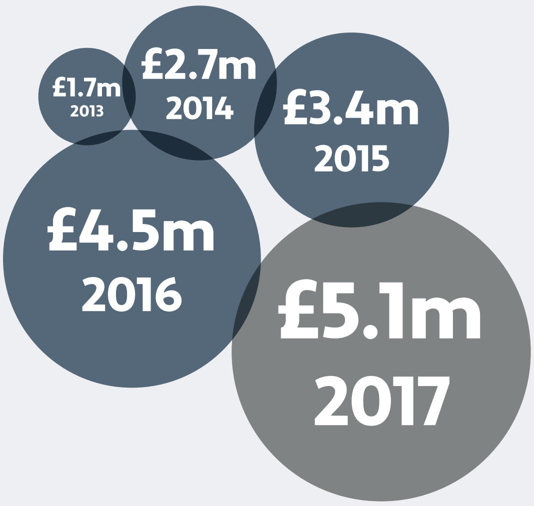
Revenue is generated principally from the completion of conveyancing cases and also the associated sales of searches and ID checks.



EBITDA (underlying)

£5.1m

EBITDA (underlying) excludes exceptional items
(see reconciliation on page 16).



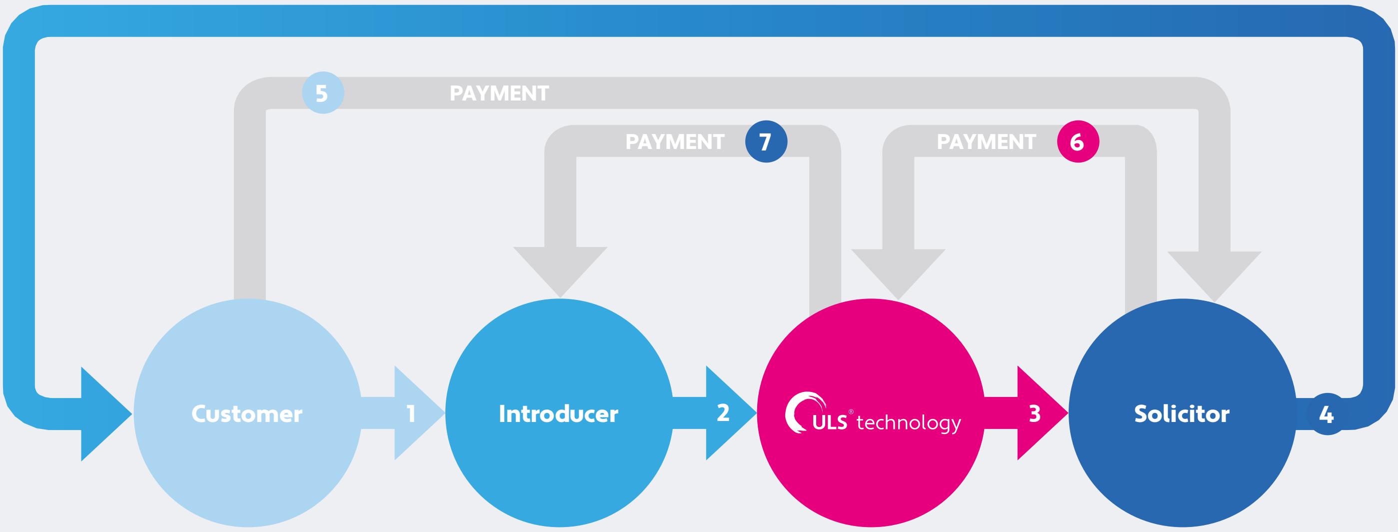
Peter Opperman
Non-executive Chairman

Our business model

What we provide for our customers

We bring customers and legal professionals together via housing market comparison services, delivered through our systems.

We partner with solicitors and conveyancing firms to create panels that compete for customer business on price, location and service rating.



1. A house buyer approaches a mortgage broker or other intermediary.

2. The mortgage broker uses the ULS eConveyancer platform to identify a solicitor to undertake the conveyancing, filtering by price, location, service rating and the user's requirements.

3. The ULS platform instructs the selected solicitor to undertake the conveyancing.

4. The solicitor sends their letter of engagement to the house buyer, executes the conveyancing and invoices the house buyer on completion of the transaction.

5. The house buyer pays the solicitor (typically as part of the transaction completion monies).

6. The solicitor pays fees to ULS via the eConveyancer platform.

   Solicitors also generate additional revenues for ULS by using the platform to perform legal searches and ID checks.

7. ULS remits a proportion of the fees to the mortgage broker or other intermediary.

How we create value for stakeholders

Benefits for Customers

Cost Saving

ULS aims to reduce the cost of services to users by creating price competition between providers.

Choice

ULS increases the choice of services available to users by aggregating a broad range of providers via a single platform.

Service

ULS provides ratings on its providers helping the customer to make an informed choice.

Benefits for Introducers

Scope

ULS enables intermediaries to offer users a broad range of conveyancing services from a wide choice of providers in a range of locations at competitive prices.

Reward

ULS enables intermediaries to access multiple related services from a single interface, helping them to generate multiple sales from the user in one sitting and to increase profitability.

Time saving

ULS' user-friendly, simple click-through interface is designed to reduce the time taken to complete the sales process, further enhancing broker ROI.

Benefits for Solicitors

Volume

ULS connects service providers with a large pool of potential clients via intermediaries, increasing work flow at a low cost of acquisition.

Market Reach

ULS provides a platform for service providers such as law firms who have low brand recognition, raising their profile and helping them attract new business.

Our market

Over the period, housing transactions have declined significantly compared to the previous year, and are markedly below long term average levels. The year saw two unique events.

Firstly, there was a hangover from the rush for Buy-to-Let Landlords to complete purchases before a key Stamp Duty deadline and, secondly, in the summer of 2016 the market slowed down for a month or two following the EU Referendum outcome. Despite this, ULS has continued its momentum and grown its share of conveyancing completions.

The first half of the financial year started more quietly than is usually the case. Although ULS held no disproportionate exposure to Buy-to-Let, the overall activity levels in the market were somewhat muted following the rush that led up to Stamp Duty changes for landlords.

Activity recovered through Spring into the EU Referendum vote, at which point things became markedly quieter, before some sort of recovery got underway in September. It then held steady to the end of the financial year, resulting overall in a year where transactions were down by 13% but where the fall had looked likely to be bigger at one point.

In terms of housing transactions, the year saw a rise in activity from first time buyers and a reduction in activity for subsequent movers and landlords buying property to let.

ULS has a fairly typical exposure to all three segments and therefore has not unduly been affected by these movements.

In terms of other market developments, the Government produced its white paper to tackle the so-called housing crisis. This paper is tenure neutral effectively, with policy assisting tenants as well as homeowners. General consensus is that there will be little if any market impact from this, certainly in the short term and quite possibly in the medium and longer term too.

One of the major challenges for the housing market is the lack of subsequent home movers. Many homeowners find it unnecessary or too expensive to move up a rung on the ladder. Changes to Stamp Duty haven't helped certainly in London and have hindered other areas. The result of few people moving from one home to another is reduced housing stock for sale. This remains at record lows and is probably the greatest factor in the fall in housing transactions.

On the plus side, this trend should reverse at some point, however for the foreseeable future, housing transactions look to remain at current levels although the OBR is forecasting a modest increase.

Remortgaging increased noticeably in 2016. Although conveyancing opportunities are fewer and further between for remortgages, and the commercial benefits are much reduced compared to those linked to home moves, this market is likely to continue to operate at higher levels than during much of the last decade. ULS is exploring ways to become more active in this market, which offers upside potential for the Group.

Finally, there is the result of the EU Referendum and the likely Brexit process, which looks to be uncertain and lengthy in its nature. Currently, it looks as though any initial Referendum shock has largely worn off and business is returning to normal. However, much remains unknown and therefore uncertain.

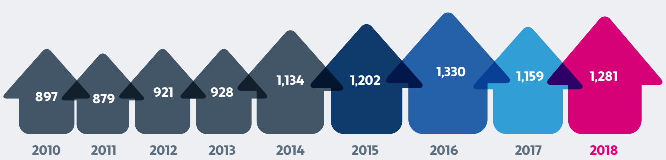
From a positive point of view, firstly the housing market is already trading at low levels compared to historical norms. Secondly, the UK housing market is a domestic market in the main, and therefore ought to remain somewhat immune, and insulated from any possible Brexit fallout.

In terms of the specific conveyancing market that ULS operates in, we continue to see improvements and modernisation in technology. Mortgage and conveyancing processes remain slow compared to more technologically advanced markets and this gives scope for potential further disruption, and opportunity for ULS.

Conveyancing firms continue to consolidate, and ULS holds strong trading relationships with most of the major specialist firms. These firms are growing through becoming highly efficient and technological in their processes, thereby completing customers' home moves more quickly and giving them a better experience.

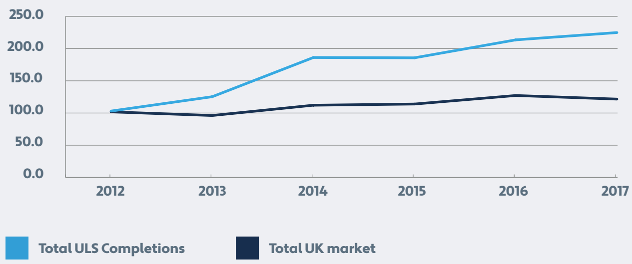
ULS is investing in its own technology to improve customer experience to ensure that along with its conveyancing partners, customers continue to receive the best possible value for money, service experience and means of interacting with their chosen solicitor or conveyancing firm.

Property transactions and forecasts (thousands)



* Years are to 31 March
* Historical data is per HMRC
* Forecast is per OBR (published March 2017)

Total ULS completions v Total UK market



* Both lines based to 100 in FY2012

Our strategy

Group strategy is to focus on continual improvement, innovation and quality, and acquire businesses in sectors we understand.

The conveyancing market continues to consolidate into a smaller number of larger firms. These firms specialise in processing volume conveyancing, and have become more efficient through investment in technology and economies of scale.

Against this market backdrop, these large firms have ever-growing operations to feed. ULS continues to successfully grow its strong relationships with many of these large specialist firms, through procuring many more new customers for them, and by building integrated technology links designed to make all parties' involvement in the conveyancing process as straightforward and painless as possible.

Customer journey

In addition to working closely with its partner firms, ULS is committing resource into seeking its own new ways to revolutionise conveyancing. This is particularly through improved communication with all stakeholders involved in the home moving process, as well as providing a more automated and involved interaction with customers themselves.

Technology and communication in other sectors has improved significantly over recent years and conveyancing in some areas has a long way to go to catch up.

ULS intends to be at the forefront of change, helping its business partners to fend off any threat from fresh competition and disruptive market newcomers. In addition, ULS will dedicate resource to helping home movers at an earlier stage in the home moving process with conveyancing, as well as more broadly in the future with other services.

Organic growth

ULS has very strong, successful and loyal business partners that make up its conveyancing distribution. By helping these business partners to increase their conveyancing, ULS continues to grow.

Over the last year, the Group has successfully continued its momentum by earning the right to work with more new business partners, adding to growth from existing partners.

ULS has deliberately expanded into markets where it has not historically been strong and where clear upside exists. For example, the Group is now much more involved in procuring and servicing conveyancing needs for customers requiring and using an Estate Agent - both traditional Estate Agents, as well as those that trade online only. Also, through a major new house builder relationship, the Group is forging inroads into providing conveyancing for the highly competitive and service-centric new homes market.

Over the last year, ULS has won at least two new lender conveyancing contracts, having used its subsidiary company Legal Eye to boost its all-round conveyancing service to mortgage lenders. This is another new area into which ULS intends to continue its growth.

New products

Last year the Group invested in HomeOwners Alliance (HOA), the online property portal that has experienced good growth in web traffic since it was founded four years ago. ULS has now successfully integrated or embedded its conveyancing platform and Estate Agency comparison technology into HOA's portal, and is now receiving new business directly from customers digitally as well. This is an important channel for ULS to be invested in, as it provides scalability and a degree of control over longer term future new business volumes.

It also serves as a direct-to-customer channel through which ULS can tailor and launch new technology and housing related products and services in the future, beyond simply conveyancing itself.

Acquisitions

Over the last year ULS has been actively looking at potentially complementary acquisition opportunities. In December 2016 the Group successfully acquired Conveyancing Alliance Holdings Limited, instantly enabling the Group's entry into Estate Agency related conveyancing and also opening up the small mortgage adviser market for conveyancing.

This acquisition was highly earnings enhancing for the Group, and a great strategic fit.

Management remains active in seeking new and fitting opportunities that may exist, to grow the Group from where it has progressed to today.

Strategic Acquisition

Conveyancing Alliance

The acquisition of CAL enables us to directly progress a clear strategy of increasing our market share of new conveyancing. CAL is complementary to ULS as its success has come from providing technology based conveyancing solutions to mortgage intermediaries, specifically smaller firms. In addition, CAL has been successful in forging a good proportion of its growth from providing Estate Agents with conveyancing related technology and services, a path that we have deliberately wanted to explore and grow into. Our new relationship with CAL is going from strength to strength and we are excited about how well we can all work together to accelerate our combined success.

15,170
completions in 2016
(calendar year)

Chief Executive's statement

ULS has continued to make good progress, building on its clear strategy of growing market share, revenue and profit, through a combination of organic growth and tactical acquisition activity.

Overview of operational performance

ULS agreed that it would focus on the following as part of its growth strategy:

- Build new technology to attract more lender-related conveyancing;
- Forge inroads into providing conveyancing to customers who traditionally would have bought conveyancing through Estate Agents; and
- Acquire businesses that directly or indirectly assist ULS in growing its overall conveyancing market share.

All of the above have progressed well throughout the year, contributing to a revenue increase of 8% and underlying profit growth of 15%.

Strategic progress

The Group has made strong progress over the last year, with healthy organic growth achieved against a market where housing transactions have continued to fall markedly below long term historical averages. In addition, the last year has been a tough market, with tax changes impacting landlords and the Buy-to-Let market, and the slowdown in activity following the EU Referendum.

In 2016, ULS took a 35% stake in HomeOwners Alliance (HOA), with an option to acquire the business between three and five years following completion of the investment.

The Group is pleased to report that it has successfully tailored and embedded its technology within HOA's website and that this has delivered new conveyancing growth over the last year.

The Group has won new conveyancing contracts with two mortgage lenders, having invested efforts into building a complete suite of technology and services to help lenders provide their customers with the best possible moving experience. This new proposition to lenders includes services offered by Legal Eye, which ULS acquired in 2015. ULS intends to continue its growth into lender related conveyancing through the coming year and beyond.

One of the other new markets into which ULS can grow is the Estate Agency conveyancing market. ULS has historically not been involved in this market, but has now built two routes through which it can offer its technology and services to customers selling and buying homes through this sector:

1. Via its own Estate Agency comparison technology accessed through HomeOwners Alliance (www.estateagent4me.co.uk);
2. Through Conveyancing Alliance Limited.

ULS has spent the last year or so honing and piloting new technology to enable home sellers to compare the performance of traditional and online Estate Agents free of charge on one technology platform. The Group has now successfully embedded this technology into HomeOwners Alliance, which promotes this online via its own portal. Through this promotion, ULS attracts customers who wish to move house and need help selecting a suitable conveyancing service, thereby enabling the Group to make inroads directly to customers in this market.

ULS has been pursuing complementary acquisition opportunities, and at the end of 2016, acquired Conveyancing Alliance Holdings Limited. CAL constitutes a perfect fit for ULS, in that they have experienced strong growth with small mortgage broker firms, whereas ULS has successfully grown with larger firms. Also CAL has enjoyed comparable success partnering independent Estate Agents to provide conveyancing services.

CAL is therefore the second channel that ULS has acquired and will use to grow conveyancing market share in the Estate Agency sector, helping customers to access a breadth of choice at comparatively low cost, and move home as seamlessly as possible.

This tactical acquisition of CAL was highly earnings enhancing for ULS and enables the Group to continue its deliberate strategy of growing its conveyancing market share, through adding to its existing channels as well as accessing new ones.

Outlook

We approach the new financial year in the knowledge that we are successfully increasing our conveyancing market share in a smaller housing transactions market. We intend to continue outperforming the market through further enhancing our technology and services that we provide to our business partners and their customers. We see that technology and processes will continually need to be further honed and improved, as technology progresses and advances at pace. We are committed to doing things better than our competitors, with customers central in influencing our thinking and technology design.

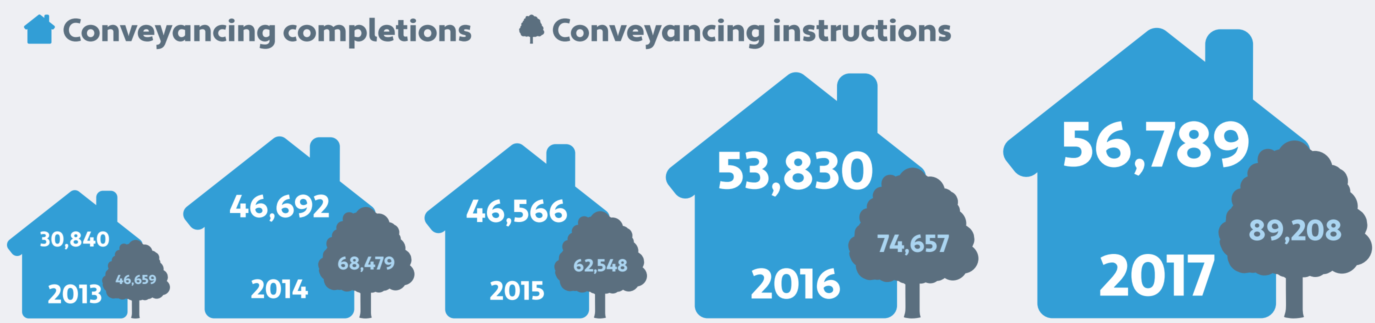
Our expectations are for a slightly smaller housing market in terms of transactions. We will strive to further increase our market share organically through expansion into more lender related conveyancing and through becoming more involved in conveyancing in the Estate Agency sector. There is a lot of upside potential from this organic growth.

In addition, we will continue to look actively at acquiring businesses that help us to progress our strategy more quickly and will acquire where appropriate and possible to do so.

We are pleased with how ULS has grown over the last year and look forward to what we expect to be an exciting and rewarding new financial year.

Ben Thompson
Chief Executive Officer
ULS Technology plc

26 June 2017



Financial review

The Group delivered significant profit growth and made a sizeable acquisition.

Summary

- Revenue £22.3 million (2016: £20.7 million).
- Gross margin £9.5 million (2016: £8.7 million).
- Underlying PBT £4.4 million (2016: £3.8 million).
- Net debt £3.5 million (2016: net cash £2.9 million).
- Group continues to pay a progressive dividend.
- Increase in underlying EBITDA of 14%.

Results

The Group delivered significant profit growth in 2017 with underlying profit before tax up by 15% and, excluding the acquisition of CAL, it was up by 8%. This was against a backdrop of a 13% fall in housing transactions. There were exceptional costs in the year of £704,000. These primarily relate to movements in the deferred consideration provision relating to the acquisitions of Legal Eye and CAL, as well as costs related to acquisition activity.

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.

	2017 £000's	2016 £000's
Underlying PBT	4,364	3,797
Capitalised development resource	(642)	(285)
Amortisation of capitalised development resource	395	395
Adjusted underlying PBT	**4,117**	**3,907**

During the year more development projects were undertaken and more resource taken on as we continue to invest in the future of the company. Additionally, a limited amount of external resource was used and the acquisition of CAL increased the spend in this area (as they also capitalise development, which they outsource entirely).

Key performance indicators

Our key performance indicators are set out on pages 1 to 2.

Underlying PBT	2017 £000's	2017 £000's	2016 £000's	2016 £000's
Profit before taxation (PBT)		3,456		3,081
Amortisation of intangible assets arising on acquisition		204		91
Exceptional operating costs				
Acquisition activity costs	386		52	
Adjustment to expected deferred consideration	–		333	
Exceptional operating costs		386		385
NPV adjustment of deferred consideration		318		240
Underlying PBT		4,364		3,797

Underlying EBITDA	2017 £000's	2016 £000's
Underlying PBT	4,364	3,797
Finance income	(12)	(9)
Finance costs	83	63
Amortisation (excluding arising on acquisition)	395	395
Depreciation	271	228
Underlying EBITDA	**5,101**	**4,474**

Shares and dividends

In December 2016, the Group paid an interim dividend of 1.10 pence per share. It has proposed a final dividend of 1.10 pence per share in line with its aim of paying the total dividend in two equal amounts.

No new shares have been issued in the year.

Acquisition of 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 £7.2m plus an amount for free cash, together with an earn-out until 31 March 2019 to be wholly satisfied in cash.

Cash and debt

The Group continued to generate positive operating cash flow:

- Payments of £890,000 made to repay the term loan with Clydesdale Bank in full ahead of schedule;
- Arrangement of £7million HSBC facility (term loan and RCF) and acquisition of CAL;
- Dividends paid of £0.9 million; and
- Leverage down to 0.69 as at 31 March 2017 despite acquisition of CAL only a few months earlier.

The underlying position of the Group is that it continues to turn a significant proportion of its profit into cash, which it expects 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 acquisition growth and currently uses a guideline of having a maximum leverage of one times EBITDA which it is currently well below. Its bank covenants allow for much higher leverage.

John Williams
Finance Director

Group strategy is to focus on continual improvement, innovation and quality, and acquire businesses in sectors we understand.

Principal risks and uncertainties

Risk Areas	Potential Impact	Mitigation
Loss of key introducer The contract with Lloyds Banking Group delivers significant gross margin.	The loss of this contract would clearly have a significant impact on the scale and performance of the Group although there are a number of parts to the contract.	The Group is widening its routes to market and has now reduced the share of gross margin attributable to this contract to below 40% on a run-rate basis. Additionally, it works closely with Lloyds Banking Group to ensure it is delivering a high level of service and constantly enhancing the service being offered. This includes recently being part of Lloyds Digital World project.
Loss of key panel firms The Group operates a panel of over 100 solicitors and licensed conveyancer firms, but the largest firms receive significant percentages of the work.	The loss of a major panel firm could impact on the Group's ability to fulfil all the orders it receives and could reduce price competition.	The Group constantly monitors its panel of firms and their capacity and looks to bring on new firms across a range of sizes to maintain sufficient capacity within the model and keep prices at a competitive level, while keeping quality of service high.
Macro-economic conditions The revenue of the business is closely linked with the number of transactions in the UK housing market.	Changes in interest rates, house prices, government policy, GDP growth and wider economic factors can positively or negatively impact the number of housing transactions.	The Group is widening its distribution channels by increasing the number of introducers as well as the markets they operate in. This means that the Group is not solely reliant on growth in the general market for its own growth. Additionally, by increasing its spread it has reduced its risk from changes in specific areas such as the recent tax changes in the buy-to-let market. It has demonstrated this by growing in a falling market.
New products The Group continually looks to innovate and develop new products.	When developing products there is a risk that products developed are not commercially successful or cost more to develop than planned.	The Group plans to continually gather and obtain market research prior to the launch of any new initiative.
Competition There are a number of competitors of varying sizes across the market.	Where there is competition there is always a risk that others will gain a competitive edge and either make it more difficult to win new customers and/or to retain existing customers.	The Group is focused on continual improvement, innovation and quality in order to maintain its competitive advantage and values existing introducers as much as potential new ones. Additionally, while the Group is increasing its market share it still holds a relatively small percentage and there is plenty of scope for growth. There are also opportunities within competitors as illustrated by the recent acquisition of CAL.
IT systems The Group is dependent on its IT systems to be able to provide its services.	Computer systems are inherently open to failure or security breaches. These could impact the ability of the Group to be able to provide its service and serious failures could result in the loss of customers.	The Group ensures that anti-virus software is kept up-to-date and regular penetration tests are performed. The main servers are located off-site at dual locations, enabling immediate failover in the event of a server becoming unavailable at one of the locations.
Acquisitions The Group has made acquisitions and plans to continue to be acquisitive.	Making acquisitions is inherently risky. Risks include over paying, not achieving expected synergies and impact on the existing business due to distraction of management.	The general strategy of the Group is to acquire businesses in sectors it understands, to undertake proper due diligence and to resource sufficiently and effectively. Acquisitions made to date have maintained or exceeded value paid for them.

Board of Directors

01

Peter Opperman
Non-executive Chairman

Peter joined the Company in January 2011 at the point that Lloyds Development Capital (LDC) invested in the business. Peter has spent over 20 years in executive and Non-executive roles working in private equity backed businesses.

Peter is currently Non-executive Chairman of Adestra Limited, Decision Technology Limited and Connect Managed Services Limited.

02

Ben Thompson
Chief Executive Officer

Ben has been in financial services since 1986 and joined ULS Technology in 2014 as Managing Director, before assuming the role of Chief Executive officer in November 2015. Prior to his appointment, he was at Legal & General, where he ran their market-leading mortgage distribution business, as well as the banking division.

Ben previously held roles at Paymentshield, St. James's Place, Winterthur Life and TSB. His career has most recently been focused on mortgages and financial services. However, Ben also has good experience in both retail and private banking, as well as a wealth of experience in residential property, in particular estate agency.

03

John Williams
Finance Director

John joined the business in January 2011 at the point of LDC's investment in the Group. 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.

04

Andrew Weston
Co-founder and IT Director

Andrew co-founded ULS in 2003. 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 in 2007, now part of ULS.

05

Geoff Wicks
Independent
Non-executive Director

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.

Directors' report

The Directors present their report and the financial statements of ULS for the year ended 31 March 2017.

Principal activity

The Company acts as a holding company for its three 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 develops, hosts and operates web based systems that provide property information, including energy performance certificates (EPCs). It is has also 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 6 to 7 and the Chief Executive's Statement on pages 14 to 15.

Dividends

A final dividend in respect of the year ended 31 March 2016 of 0.26 pence per share was paid on 5 August 2016. An interim dividend of 1.10 pence per share was paid on 16 December 2016. A final dividend of 1.10 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 2017 are set out below:

	Ordinary shares		Share options	
	2017	2016	2017	2016
Nigel Hoath	7,628,414	7,628,414	–	–
Peter Opperman	2,704,625	2,704,625	–	–
Andrew Weston	1,276,625	1,276,625	226,898	–
John Williams	48,291	48,291	485,809	258,911
Ben Thompson	20,000	20,000	1,942,337	1,618,197
Geoffrey Wicks	52,000	52,000	–	–
	11,729,955	**11,729,955**	**2,655,044**	**1,877,108**

Directors' remuneration

The following table sets out an analysis of the pre-tax remuneration for the year ended 31 March 2017 for the individual directors who held office in the company during the year:

	2017 Salary/fees £	2017 Bonuses £	2017 Benefits in kind £	2017 Share-based payment £	2017 Total £	2016 Total £
Nigel Hoath	21,780	–	–	–	21,780	235,750
Peter Opperman	35,000	–	51	–	35,051	30,833
Andrew Weston	110,000	25,000	565	3,280	138,845	135,833
John Williams	92,700	45,000	476	9,046	147,222	127,870
Ben Thompson	140,000	80,000	719	29,833	250,552	260,152
Geoffrey Wicks	36,050	–	–	–	36,050	35,613
	435,530	**150,000**	**1,811**	**42,159**	**629,500**	**826,051**

Nigel Hoath resigned as a Director on 2 August 2016.

Share options and warrants

The share-based payment of £42,159 (2016: £30,918) 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 2017:

	Options held at 31 March 2016	Options granted in period	Options exercised in period	Options held at 31 March 2017	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	970,918	–	–	970,918	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

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 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 3 per cent or more in its issued share capital as at 31 March 2017.

Shareholder	No. of shares	%
Kestrel Partners LLP	14,304,192	22.06
Schroder Investment Management	8,380,000	12.93
Nigel Hoath*	7,628,414	11.77
City Financial Investment Company Ltd	5,013,912	7,73
Herald Investment Management Ltd	4,650,000	7.17
Lombard Odier Asset Management (Europe) Ltd	3,915,000	6.04
Unicorn Asset Management Ltd	3,750,200	5.78
Peter Opperman**	2,704,625	4.17
Octopus Investments Ltd	2,571,041	3.97
Artemis Investment Management LLP	2,500,000	3.86

* Nigel Hoath Non-executive Director (resigned 2 August 2016)

** Peter Opperman Non-executive Director

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 31.

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 50 to 52 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

The Audit Committee is chaired by Peter Opperman and includes Geoff Wicks. 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.

Directors' report continued

Remuneration Committee

The Remuneration Committee is chaired by Geoff Wicks and includes Peter Opperman. 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.

Nominations Committee

The Nominations Committee is chaired by Peter Opperman and includes 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.

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 prepared the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and 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 applicable IFRSs 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:

Ben Thompson
CEO
ULS Technology plc

John Williams
Finance Director
ULS Technology plc

26 June 2017
Company number: 07466574

Independent auditor's report

to the members of ULS Technology plc

We have audited the financial statements of ULS Technology plc for the year ended 31 March 2017 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the notes to the consolidated financial statements, the Parent Company Balance Sheet and the notes to the Parent Company financial statements.

The financial reporting framework that has been applied in the preparation of the consolidated financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

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

Respective responsibilities of Directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 24, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at **www.frc.org.uk/auditscopeukprivate**

Opinion on financial statements

In our opinion:

- The financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2017 and of the Group's profit for the year then ended;
- The consolidated financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- The Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the Group financial statements, Article 4 of the IAS regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

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

Matter on which we are required to report under the Companies Act 2006

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- Adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- The parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- Certain disclosures of directors' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit.

Tracey James
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Oxford

26 June 2017

Consolidated income statement

for the year ended 31 March 2017

	Notes	2017 £000's	2016 £000's
Revenue	1	22,260	20,658
Cost of sales		(12,796)	(11,997)
Gross profit		9,464	8,661
Administrative expenses		(5,233)	(4,901)
Operating profit before exceptional expenses		4,231	3,760
Exceptional admin expenses	3	(386)	(385)
Operating profit	2	3,845	3,375
Finance income	5	12	9
Finance costs	6	(83)	(63)
Exceptional finance costs	6	(318)	(240)
Profit before tax		3,456	3,081
Tax expense	7	(581)	(704)
Profit for the financial year attributable to the Group's equity shareholders		2,875	2,377
Earnings per share from operations			
Basic earnings per share (£)	8	0.0443	0.0367
Diluted earnings per share (£)	8	0.0421	0.0351

Consolidated statement of comprehensive income
for the year ended 31 March 2017

	2017 £000's	2016 £000's
Profit for the financial year	2,875	2,377
Total comprehensive income for the financial year attributable to the owners of the parent	2,875	2,377

Consolidated balance sheet
as at 31 March 2017

Assets	Notes	2017 £000's	2016 £000's
Non-current assets			
Intangible assets	13	7,064	2,945
Goodwill	10	11,008	4,524
AFS financial assets	11	100	100
Investment in associates	12	549	575
Property, plant and equipment	14	516	485
Long-term receivables	16	200	100
Prepayments	16	173	181
		19,610	8,910
Current assets			
Inventory	15	40	22
Trade and other receivables	16	1,676	1,301
Cash and cash equivalents	17	2,242	3,781
		3,958	5,104
Total assets		23,568	14,014
Equity and liabilities			
Capital and reserves attributable to the group's equity shareholders			
Share capital	18	259	259
Share premium		4,585	4,585
Capital redemption reserve		113	113
Share based payment reserve		151	80
Retained earnings		4,145	2,148
Total equity		9,253	7,185
Non-current liabilities			
Borrowings	20	3,750	170
Deferred consideration	28	2,613	852
Deferred taxation	7	1,092	438
		7,455	1,460
Current liabilities			
Trade and other payables	19	4,229	4,234
Borrowings	20	2,000	720
Current tax payable		631	415
		6,860	5,369
Total liabilities		14,315	6,829
Total equity and liabilities		23,568	14,014

The financial statements were approved by the Board of Directors on 26 June 2017 and were signed on its behalf by:

Ben Thompson
Chief Executive Officer
ULS Technology plc

John Williams
Finance Director
ULS Technology plc

Company number: 07466574

Consolidated statement of changes in equity

for the year ended 31 March 2017

	Share capital £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 2015	259	4,530	113	23	1,609	6,534
Profit for the year	–	–	–	–	2,377	2,377
Total comprehensive income	–	–	–	–	2,377	2,377
Issue of shares	–	55	–	–	–	55
Share-based payments	–	–	–	57	–	57
Payment of dividends	–	–	–	–	(1,838)	(1,838)
Total transactions with owners	–	55	–	57	(1,838)	(1,726)
Balance at 31 March 2016	259	4,585	113	80	2,148	7,185
Balance at 1 April 2016	259	4,585	113	80	2,148	7,185
Profit for the year	–	–	–	–	2,875	2,875
Total comprehensive income	–	–	–	–	2,875	2,875
Exercise of options	–	–	–	(1)	1	-
Share-based payments	–	–	–	72	–	72
Payment of dividends	–	–	–	–	(879)	(879)
Total transactions with owners	–	–	–	71	(878)	(807)
Balance at 31 March 2017	259	4,585	113	151	4,145	9,253

Consolidated statement of cash flows

for the year ended 31 March 2017

	Notes	2017 £000's	2016 £000's
Cash flow from operating activities			
Profit for the financial year before tax		3,456	3,081
Finance income	5	(12)	(9)
Finance costs	6	401	303
Loss/(profit) on disposal of plant and equipment		1	(1)
Share of loss from associate	12	26	–
Amortisation	13	599	486
Depreciation	14	271	228
Share-based payments		72	57
Tax paid		(625)	(678)
		4,189	3,467
Changes in working capital			
(Increase)/decrease in inventories		(18)	7
Increase in trade and other receivables		(246)	(693)
(Decrease)/increase in trade and other payables		(68)	1,894
Cash inflow from operating activities		3,857	4,675
Cash flow from investing activities			
Purchase of intangible software assets	13	(642)	(285)
Purchase of property, plant and equipment	14	(281)	(51)
Disposal of property, plant and equipment		4	4
Acquisition of associates/investments	11/12	–	(575)
Acquisition of subsidiary (net of cash acquired)	28	(6,989)	–
Payment of deferred consideration		(1,080)	–
Interest received	5	12	9
Net cash used in investing activities		(8,976)	(898)
Cash flow from financing activities			
Share issue proceeds (net of issue costs)	18a	–	55
Dividends paid	32	(879)	(1,838)
Interest paid	6	(401)	(303)
New loans	20	7,000	–
Repayment of loans	20	(2,140)	(720)
Net cash generated from/(used in) financing activities		3,580	(2,806)
Net (decrease)/increase in cash and cash equivalents		(1,539)	971
Cash and cash equivalents at beginning of financial year		3,781	2,810
Cash and cash equivalents at end of financial year		2,242	3,781

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 2017.

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.

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 2017. All subsidiaries have a reporting date of 31 March except Conveyancing Alliance Holdings Limited and its subsidiary Conveyancing Alliance Limited, although their results for the period since acquisition to 31 March 2017 have been included in the consolidated numbers. The reporting date for these companies has now been changed to 31 March which will come in to effect for the period ending 31 March 2018.

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.

Notes to the consolidated financial statements

Principal accounting policies continued

Revenue recognition

Revenue recognised represents the value of all services provided during the period at selling price exclusive of Value Added Tax.

Revenue is recognised at the point at which the Group has fulfilled its contractual obligation to the customer, which is considered to be on completion of legal services. Typically, for a conveyancing transaction, this will be on completion of the property transaction and if the transaction falls through prior to completion, the customer does not have to pay.

The proportion of the fee that ULS receives on completion of a conveyancing transaction that is remitted to a third party, 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

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 supplier relationships – 10 to 20 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 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 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.

Notes to the consolidated financial statements

Principal accounting policies continued

Impairment of non-current assets including goodwill continued

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 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

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

Financial assets and financial liabilities are measured initially at fair value plus transactions costs. Financial assets and financial liabilities are measured subsequently as described below.

Financial assets

The Group classifies its financial assets as 'loans and receivables' and available for sale (AFS) financial assets. The Group assesses at each balance sheet reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date, which are classified as non-current assets. Loans and receivables are classified as 'trade and other receivables' in the Balance Sheet.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulty, high probability of bankruptcy or a financial reorganisation and default are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at original effective interest rate. The loss is recognised in the Income Statement. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the Income Statement.

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

AFS financial assets

AFS financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The Group's AFS financial assets includes the Group's 15% share in Financial Eye Limited.

The equity investment in Financial Eye Limited is measured at cost less any impairment charges, as its fair value cannot currently be estimated reliably. Impairment charges are recognised in profit or loss.

Financial liabilities

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

Trade payables and borrowings are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Contingent consideration is measured at fair value at each reporting date with movements recognised as a profit or loss.

A financial liability is de-recognised when it is extinguished, discharged, cancelled or expires.

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 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 Income Statement in the period to which the contributions relate.

Leasing

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Notes to the consolidated financial statements

Principal accounting policies continued

Equity and reserves

Equity and reserves comprises the following:

- “Share capital” represents amounts subscribed for shares at nominal value
- “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 a 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

There were no new standards, amendments to standards or interpretations which are effective for the first time this year applicable to or which had a material effect on the Group.

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
IFRS 9	Financial Instruments: Classification and Measurement	1 January 2018	Yes	No material impact
IFRS 15	Revenue from Contracts with Customers	1 January 2018	Yes	No material impact
IFRS 16	Leases	1 January 2019	No	Most operating leases will be capitalised on the balance sheet

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.

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 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 judgment centres around whether a project will be commercially successful, particularly in the pre-revenue phase.

Notes to the consolidated financial statements
continued

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's three main operating segments, which are all in the UK, are:

- Comparison services
- Compliance consultancy for the legal sector
- All other segments which includes head office functions.

Any inter-segment indebtedness is excluded when arriving at the assets and liabilities for each segment. Consolidation items such as goodwill and intangibles sit within 'Other'.

	Comparison £'000s	Compliance £'000s	Other £'000s	Total £'000s
For the year ended 31 March 2016				
Revenue	19,657	1,001	–	20,658
Operating profit	4,191	394	(1,210)	3,375
Total assets	5,745	604	7,665	14,014
Total liabilities	3,280	168	3,381	6,829
For the year ended 31 March 2017				
Revenue	21,357	903	–	22,260
Operating profit	4,858	129	(1,142)	3,845
Total assets	5,623	264	17,681	23,568
Total liabilities	3,713	140	10,462	14,315

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

	2017 £000's	2016 £000's
1	3,523	3,768
2	2,785	–
3	2,606	2,178

2. Operating profit

Operating profit is stated after charging:	2017 £000's	2016 £000's
Fees payable to the Group's auditors for the audit of the annual financial statements	27	12
Fees payable to the Group's auditors and its associates for other services to the Group:		
– Audit of the accounts of subsidiaries	20	20
– Tax compliance services	7	7
– Other services	2	–
Amortisation	599	486
Depreciation	271	228
Operating lease rentals payable:		
– Office and equipment	53	58

3. Exceptional administrative expenses

	2017 £000's	2016 £000's
Acquisition expenses	386	52
Adjustment to expected deferred consideration	–	333
	386	385

4. Directors and employees

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

	2017 £000's	2016 £000's
Staff costs		
Wages and salaries	3,115	3,008
Social security costs	471	284
Pension costs	51	2
	3,637	3,294

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

	2017 Number	2016 Number
By activity:		
Production	22	22
Distribution	20	15
Administrative	18	16
Management	10	8
	70	61

	2017 £000's	2016 £000's
Remuneration of Directors		
Emoluments for qualifying services	628	826
Pension contributions	2	–
Social security costs	89	62
	719	888

	2017 £000's	2016 £000's
Highest paid Director		
Remuneration	251	260

The highest paid Director received share options as shown in the Directors' report on page 22.

A breakdown of the emoluments for Directors can be found in the Directors' report on page 22.

Key management personnel are identified as the Executive Directors.

Notes to the consolidated financial statements
continued

4. Directors and employees continued

Share options have been issued to Directors during the 2017 financial year see page 23. No share options have been exercised by any of the Directors, and payments of pensions contributions have been made on behalf of Directors (see page 39).

5. Finance income

	2017 £000's	2016 £000's
Bank interest	12	9

6. Finance costs

	2017 £000's	2016 £000's
Interest on borrowings	(83)	(63)
Exceptional Finance costs		
NPV adjustment of deferred consideration	(318)	(240)

7. Taxation

Analysis of credit in year	2017 £000's	2016 £000's
Current tax		
United Kingdom		
UK corporation tax on profits for the year	608	765
Deferred tax		
United Kingdom		
Origination and reversal of temporary differences	(27)	(61)
Corporation tax charge	581	704

The differences are explained as follows:

	2017 £000's	2016 £000's
Profit before tax	3,456	3,081
UK corporation tax rate	20%	20%
Expected tax expense	691	616
Adjustments relating to prior year	(113)	–
Adjustment for changes in tax rate	(2)	(9)
Adjustment for additional R&D tax relief	(159)	(109)
Adjustment for non-deductible expenses		
– Expenses not deductible for tax purposes	164	179
– Other permanent differences	–	27
Income tax charge	581	704

Deferred tax

	2017 £000's	2016 £000's
Deferred tax liabilities at applicable rate for the period of 20%:		
Opening balance at 1 April	438	499
– Property, plant and equipment and capitalised development spend temporary differences	10	(43)
– Deferred tax recognised on acquisitions of Legal Eye and Conveyancing Alliance (note 28)	644	(18)
Deferred tax liabilities – closing balance at 31 March	1,092	438

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

	2017 £	2016 £
Total basic earnings per share	0.0443	0.0367
Total diluted earnings per share	0.0421	0.0351

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

	2017 £000's	2016 £000's
Earnings used in the calculation of total basic and diluted earnings per share	2,875	2,377

Number of shares	2017 Number	2016 Number
Weighted average number of Ordinary Shares for the purposes of basic earnings per share	64,828,057	64,735,539

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	2017 Number	2016 Number
Dilutive (potential dilutive) effect of share options, conversion shares and warrants	3,542,525	3,039,893
Weighted average number of ordinary shares for the purposes of diluted earnings per share	68,370,582	67,775,432

Notes to the consolidated financial statements
continued

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	
				2017	2016
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%	–
Conveyancing Alliance Limited	Development and hosting of internet based software applications for legal services businesses	Ordinary	England & Wales	100%	–

10. Goodwill

	2017 £000's	2016 £000's
Opening value at 1 April	4,524	4,524
Acquired in the year (see note 28)	6,484	–
Closing value at 31 March	11,008	4,524

ULS Technology CGU
All of the carrying amount of goodwill acquired prior to 31 March 2014 is allocated to the cash generating unit (CGU) of the ULS Technology group of companies.

The recoverable amount of the ULS Technology CGU has been determined from value in use calculations based on cash flow projections from a formally approved 12 month forecast which has been extrapolated out over a five-year period.

Other major assumptions are as follows:

Impairment review date	2017 %	2016 %
Discount rate	12.0	12.0
Growth assumptions used to extrapolate one-year budget forecast:		
– 2 years	1.0	1.0
– 3 years	1.0	1.0
– 4 years	1.0	1.0
– 5 years	1.0	1.0

Discount rates are based on management's assessment of specific risks related to the CGU. Growth rates beyond the first year to year five are based on economic data for the wider economy, and represent a prudent expectation of growth.

The recoverable amount for the ULS Technology CGU exceeds its carrying amount by the following amounts in each year assessed:

	2017 £'000	2016 £'000
Amount by which recoverable amount exceeds carrying amount	11,790	11,447

The Directors believe that any reasonable possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit.

Legal Eye CGU

The recoverable amount of the Legal Eye CGU has been determined from value in use calculations based on cash flow projections from a formally approved 24 month forecast which has been extrapolated out over a five-year period followed by a perpetuity.

Other major assumptions are as follows:

Impairment review date	2017 %	2016 %
Discount rate	12.0	12.0
Growth assumptions used to extrapolate 2 year budget forecast:		
– 3 years	1.0	1.0
– 4 years	1.0	1.0
– 5 years	1.0	1.0
– Terminal Value	1.0	1.0

Discount rates are based on management's assessment of specific risks related to the CGU. Growth rates beyond the first year are based on economic data for the wider economy, and represent a prudent expectation of growth.

The recoverable amount for the Legal Eye CGU exceeds its carrying amount by the following amounts in each year assessed:

	2017 £'000	2016 £'000
Amount by which recoverable amount exceeds carrying amount	1,859	1,932

The Directors believe that any reasonable possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit.

Notes to the consolidated financial statements
continued

10. Goodwill continued

Conveyancing Alliance CGU

The recoverable amount of the Conveyancing Alliance CGU has been determined from value in use calculations based on cash flow projections from a formally approved 24 month forecast which has been extrapolated out over a five-year period followed by a perpetuity.

Other major assumptions are as follows:

Impairment review date	2017 %
Discount rate	15.8
Growth assumptions used to extrapolate 2 year budget forecast:	
– 3 years	1.0
– 4 years	1.0
– 5 years	1.0
– Terminal Value	1.0

Discount rates are based on management's assessment of specific risks related to the CGU. Growth rates beyond the first year are based on economic data for the wider economy, and represent a prudent expectation of growth.

The recoverable amount for the Conveyancing Alliance CGU exceeds its carrying amount by the following amounts in each year assessed:

	2017 £'000
Amount by which recoverable amount exceeds carrying amount	241

The Directors believe that any reasonable possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit.

11. AFS financial assets

	2017 £'000	2016 £'000
Opening value at 1 April	100	100
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

	2016 £'000	2015 £'000
Opening value at 1 April	575	–
35% interest in HOA		575
Share of losses for the period	(26)	–
Closing value at 31 March	549	575

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

13. Intangible assets

	Capitalised development expenditure £000's	Acquired technology platform £000's	Customer and supplier relationships £000's	Brands £000's	Total £000's
Cost					
At 1 April 2015	2,401	–	1,071	226	3,698
Additions	285	–	–	–	285
Disposals	(11)	–	–	–	(11)
At 31 March 2016	2,675	–	1,071	226	3,972
Additions	642	–	–	–	642
Acquired within business combination (note 28)	130	1,117	2,548	342	4,137
Disposals	(29)	–	–	–	(29)
At 31 March 2017	3,418	1,117	3,619	568	8,722
Accumulated amortisation					
At 1 April 2015	545	–	5	2	552
Charge	395	–	68	23	486
Disposals	(11)	–	–	–	(11)
At 31 March 2016	929	–	73	25	1,027
Charge	395	36	135	33	599
Acquired within business combination (note 28)	61	–	–	–	61
Disposals	(29)	–	–	–	(29)
At 31 March 2017	1,356	36	208	58	1,658
Net book value					
At 1 April 2015	1,856	–	1,066	224	3,146
At 31 March 2016	1,746	–	998	201	2,945
At 31 March 2017	2,062	1,081	3,411	510	7,064

Amortisation is included within administrative expenses.

Notes to the consolidated financial statements
continued

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 2015	569	505	77	1,151
Additions	0	42	9	51
Disposals	–	(118)	(1)	(119)
At 31 March 2016	569	429	84	1,082
Additions	0	280	1	281
Acquired within business combination (note 28)	–	40	8	48
Disposals	–	(130)	(9)	(139)
At 31 March 2017	569	619	84	1,272
Accumulated depreciation				
At 1 April 2015	173	290	23	486
Charge	119	93	16	228
Disposals	–	(116)	(1)	(117)
At 31 March 2016	292	267	38	597
Charge	119	136	16	271
Acquired within business combination (note 28)		20	2	22
Disposals	–	(130)	(4)	(134)
At 31 March 2017	411	293	52	756
Net book value				
At 1 April 2015	396	215	54	665
At 31 March 2016	277	162	46	485
At 31 March 2017	158	326	32	516

15. Inventories

	2017 £'000	2016 £'000
Work in progress	40	22

16. Trade and other receivables

	2017 £'000	2016 £'000
Current assets		
Trade receivables	1,179	1,046
Other receivables	282	57
Pre-payments	215	198
	1,676	1,301
Non-current assets		
Pre-payments	173	181
Long-term receivables (loans to associate and EBT)	200	100
	373	281

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

	2017 £'000	2016 £'000
Cash at bank (GBP)	2,242	3,781

At March 2017 and 2016 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.

	2017		2016	
	No	£000's	No	£000's
Ordinary shares of £0.40 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.

	2017 Number	2016 Number
Shares issued and fully paid		
Beginning of the year	64,828,057	64,727,875
New shares issue	–	100,182
Shares issued and fully paid	64,828,057	64,828,057

On 4 March 2016, the Company issued 100,182 new ordinary shares of 0.4p with a share premium of £54,600. The issue of shares was in part consideration for the investment in HomeOwners Alliance Limited (see note 12).

Notes to the consolidated financial statements

continued

18. A) Share capital continued

Allotments during the year

Year ended March 2017	Number	Par value £000's
Share issue	–	–

Year ended March 2016	Number	Par value £000's
Share issue	100,182	–

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 2017:

Date of grant	Exercise price (£)	Share price at date of grant (£)	Options in issue as 31 March 2017
18 August 2014	0.4000	0.4800	938,542
28 November 2014	0.3950	0.3950	970,918
30 March 2015	0.4750	0.4750	647,279
21 August 2015	0.5350	0.5350	77,670
4 March 2016	0.5600	0.5600	64,828
7 November 2016	0.7025	0.7025	621,466
21 December 2016	0.7675	0.7675	1,231,661

The Group recognised total expenses of £72,000 (2016: £57,000) 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 2017 is shown below:

	As at 31 March 2017		As at 31 March 2016	
	Number of options	Weighted average exercise price £	Number of options	Weighted average exercise price £
Outstanding at 1 April	3,178,218	0.43	2,912,739	0.41
Granted	1,853,127	0.76	278,424	0.54
Forfeited prior to vesting	(466,036)	0.44	(12,945)	0.40
Exercised	(12,945)	0.40	–	–
Outstanding at 31 March	4,552,364	0.56	3,178,218	0.43

19. Trade and other payables

	2017 £000's	2016 £000's
Trade payables	2,039	2,209
PAYE and social security	100	82
VAT	586	423
Other creditors	21	21
Accruals and deferred income	494	510
Deferred consideration	989	989
	4,229	4,234

20. Borrowings

	2017 £000's	2016 £000's
Secured – at amortised cost		
– Bank loan	5,750	890
	5,750	890
Current	2,000	720
Non-current	3,750	170
	5,750	890

Summary of borrowing arrangements:

- The Group fully repaid a term loan with Clydesdale ahead of schedule in September 2016. In December 2016, it took out a 5-year term loan for £5 million and a £2 million revolving cash flow facility. Both have an initial interest rate of 1.90% above LIBOR although there is the possibility for the amount above LIBOR to reduce when certain financial criteria are met. The term loan Is subject to repayments of £250,000 plus accrued interest quarterly.
- 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.

Notes to the consolidated financial statements
continued

21. Financial instruments

Classification of financial instruments

The Group has AFS financial assets (see note 11) which are measured at cost less impairment cost.

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

Financial assets

	Loans and other receivables	
	2017 £000's	2016 £000's
Loans and receivables (note 16)	1,661	1,203
AFS asset (note 11/12)	649	675
Cash and cash equivalents (note 17)	2,242	3,781
	4,552	5,659

The investment in HomeOwners Alliance Limited represents a 35% equity interested in an unlisted company acquired in 2016. 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 2017 and 2016.

Financial liabilities

	Measured at amortised cost	
	2017 £000's	2016 £000's
Financial liabilities measured at amortised cost (note 19)	2,554	2,740
Borrowings (note 20)	5,750	890
	8,304	3,630

Current loan instruments are linked to LIBOR with a margin of 1.90% per annum, which is a fairly standard market rate.

Financial assets and financial liabilities measured at fair value in the 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 Legal Eye Limited and Conveyancing Alliance Holdings Limited (see note 28) is estimated using a present value technique.

For Legal Eye Limited, the £989,000 fair value is using the known amount of consideration due adjusting for risk and discounting at 16.2%. The known consideration before discounting is £1,080,000. 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 £985,000 to £994,000.

For Conveyancing Alliance Holdings Limited, the £2,613,000 fair value is using as estimated amount of consideration due adjusting for risk and discounting at 16.2%. The estimated consideration before discounting is £3,473,000. 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 £2,571,000 to £2,655,000.

Level 3 fair value measurements

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

	Contingent consideration	
	2017 £000's	2016 £000's
Balance at 1 April 2016	1,841	1,268
Acquired through business combination	2,523	–
Payments made	(1,080)	–
Movement in consideration	–	333
Movement in NPV	318	240
Balance at 31 March 2017	3,602	1,841

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.

	2017 £000's	2016 £000's
Impairment provision	99	87

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

	2017 £000's	2016 £000's
Not more than 3 months	122	419
More than 3 months but not more than 6 months	10	10
More than 6 months but not more than 1 year	8	8
More than one year	21	7
Total	161	444

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 16.

Notes to the consolidated financial statements
continued

21. Financial instruments continued

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 2017 and 2016, 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 2017						
Trade payables	2,039	2,039	–	–	–	–
Other payables	21	21	–	–	–	–
Accruals	494	494	–	–	–	–
Deferred and contingent consideration	4,553	–	–	1,080	1,453	2,020
Loans	6,043	–	1,562	550	1,081	2,850
	13,150	2,554	1,562	1,630	2,534	4,870

	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 2016						
Trade payables	2,209	2,209	–	–	–	–
Other payables	21	21	–	–	–	–
Accruals	510	510	–	–	–	–
Deferred and contingent consideration	2,160	–	–	1,080	1,080	–
Loans	918	–	379	367	172	–
	5,818	2,740	379	1.447	1,252	–

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 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:

	2017 £000's	2016 £000's
Total Equity	9,253	7,185
Cash and cash equivalents	2,242	3,781
Capital	11,495	10,966
Total Equity	9,253	7,185
Borrowings	5,750	890
Financing	15,003	8,075
Capital-to-overall financing ratio	0.77	1.36

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	2017 £000's	2016 £000's
Minimum lease payments	53	56

Non-cancellable operating lease commitments	2017 £000's	2016 £000's
Not later than 1 year	56	52
Later than 1 year and not later than 5 years	37	85
	93	137

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 £51,000 (2016: £2,000).

Notes to the consolidated financial statements
continued

27. Related party transactions
Directors:

P Opperman
G Wicks
N Hoath
B Thompson
A Weston
J Williams

For remuneration of Directors please see note 4 and the more detailed disclosures in the Directors' Report on page 22.

Dividends paid to Directors are as follows:

	2017 £000's	2016 £000's
Peter Opperman	35	76
Geoff Wicks	1	1
Nigel Hoath	100	422
Ben Thompson	–	–
Andrew Weston	17	36
John Williams	1	1

28. Business combinations
During the year, the Group acquired 100% of the issued ordinary share capital of Conveyancing Alliance Holdings Limited and its 100% subsidiary Conveyancing Alliance Limited, companies incorporated in England and Wales:

Principal activity	Date of acquisition	Proportion of voting equity interest acquired (%)	Consideration transferred
Conveyancing comparison software and services	19 Dec 16	100%	10,552,000

The primary purpose of the acquisition of Conveyancing Alliance Limited was to enhance the earnings of the Group and its market share in the conveyancing comparison market.

Consideration transferred

	£000's
Cash	8,029
Contingent consideration	2,523
Total consideration	10,552

Assets acquired and liabilities recognised at the date of acquisition:

	£000's
Current assets	
Cash and cash equivalents	1,040
Trade and other receivables	221
Non-current assets	
Goodwill	6,484
Intangible assets	4,076
Tangible assets	26
Current liabilities	
Trade and other payables	(598)
Non-current liabilities	
Deferred tax	(697)
	10,552

Goodwill is primarily related to growth expectations, expected future profitability, the skill and expertise of Conveyancing Alliance's workforce and expected synergies. Goodwill is not expected to be deductible for tax.

The contingent consideration is based on a range of between 0.5 and 1.75 times annualised PBT of Conveyancing Alliance for the period between completion to 31 March 2018 and also for the 12 months ending 31 March 2019. The undiscounted value of this element of the consideration has been estimated at £3,473,000. The total undiscounted consideration including that already paid is capped at £13,329,000.

Net cash inflow on acquisition of subsidiaries

	2017 £000's
Consideration paid in cash	8,029
Less: cash and cash equivalent balances acquired	(1,040)
	6,989

The acquiree has been included in the consolidated financial information for the first time in 2017, with revenue of £1,446,000 and a net profit of £239,000 included. If the acquiree had been in the group from 1 April 2016, Group Revenues would have been £26,012,000 and net profit would have been £3,625,000.

Acquisition-related expenses of £212,000 were incurred in the acquisition of Conveyancing Alliance. These are included within exceptional admin expenses in the consolidated income statement.

Notes to the consolidated financial statements
continued

29. Contingent liabilities
The Directors are not aware of any contingent liabilities within the Group or the Company at 31 March 2017 and 2016.

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

31. Events after the balance sheet date
There have been no reportable subsequent events between 31 March 2017 and the date of signing this report.

32. Dividends paid

	2017 £000's	2016 £000's
Final Dividend for the year ended 31 March 2016 of 0.26p (2016: 1.00p) per share	168	647
1st Interim Dividend 1.10p (2016: 1.05p) per share	711	680
2nd Interim Dividend 0.0p (2016: 0.79p) per share	–	511
Total dividends paid	879	1,838

As well as the dividends paid as shown in the table above, the Board proposes a final dividend of £711,000 (1.10 pence per share) in respect of the year ended 31 March 2017 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.

Parent company balance sheet

as at 31 March 2017

Assets	Notes	2017 £000's	2016 £000's
Non-current assets			
Investments	2	17,511	6,887
Non-current receivables	3	86	15
		17,597	6,902
Current assets			
Trade and other receivables	3	259	1,928
Cash and cash equivalents		601	949
		860	2,877
Total assets		18,457	9,779
Equity and liabilities			
Capital and reserves attributable to the Group's equity shareholders			
Share capital	7	259	259
Share premium		4,585	4,585
Capital redemption reserve		113	113
Capital contribution reserve		77	35
Share-based payment reserve		152	80
Opening retained earnings		1,569	1,283
Profit for the year		2,931	2,124
Payment of dividends		(879)	(1,838)
Total retained earnings		3,621	1,569
Total equity		**8,807**	**6,641**
Non-current liabilities			
Borrowings	5	3,750	170
Provisions	6	2,613	852
		6,363	1,022
Current liabilities			
Trade and other payables	4	1,287	1,396
Borrowings	5	2,000	720
		3,287	2,116
Total liabilities		9,650	3,138
Total equity and liabilities		18,457	9,779

The financial statements were approved by the Board of Directors on 26 June and were signed on its behalf by:

Ben Thompson
Chief Executive Officer
ULS Technology plc

Company number: 07466574

Parent company statement of changes in equity

for the years ended 31 March 2017

	Share capital £000's	Share premium £000's	Capital redemption reserve £000's	Capital contribution reserve £000's	Share-based payments reserve £000's	Retained earnings £000's	Total Equity £000's
Balance at 1 April 2015	259	4,530	113	–	23	1,283	6,208
Profit for the year	–	–	–	–	–	2,124	2,124
Total comprehensive income	–	–	–	–	–	2,124	2,124
Issue of shares	–	55	–	–	–	–	55
Share-based payments	–	–	–	35	57	–	92
Payment of dividends	–	–	–	–	–	(1,838)	(1,838)
Total transactions with owners	–	55	–	35	57	(1,838)	(1,691)
Balance at 31 March 2016	259	4,585	113	35	80	1,569	6,641
Balance at 1 April 2016	259	4,585	113	35	80	1,569	6,641
Profit for the year	–	–	–	–	–	2,931	2,931
Total comprehensive income	–	–	–	–	–	2,931	2,931
Share-based payments	–	–	–	42	72	–	114
Payment of dividends	–	–	–	–	–	(879)	(879)
Total transactions with owners	–	–	–	42	72	(879)	(765)
Balance at 31 March 2017	259	4,585	113	77	152	3,621	8,807

Notes to the Parent Company financial statements

1. Parent Company accounting policies

Basis of Preparation

The annual financial statements of ULS Technology plc (the Parent Company financial statements) have been prepared in accordance with Financial Reporting Standard 100 Application of Financial Reporting Requirements ("FRS 100") and Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

Disclosure exemptions adopted

In preparing these financial statements the Company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore, these financial statements do not include:

- Certain comparative information as otherwise required by EU endorsed IFRS;
- Certain disclosures regarding the company's capital;
- A statement of cash flows;
- The effect of future accounting standards not yet adopted;
- The disclosure of the remuneration of key management personnel; and
- Disclosure of related party transactions with the Company's wholly owned subsidiaries.

In addition, and in accordance with FRS 101 further disclosure exemptions have been adopted because equivalent disclosures are included in the Company's Consolidated Financial Statements. These financial statements do not include certain disclosures in respect of:

- Financial instruments (other than certain disclosures required as a result of recording financial instruments at fair value); and
- Fair value measurement other than certain disclosures required as a result of recording financial instruments at fair value).

As permitted by section 408 of Companies Act 2006, a separate Income Statement for the Company has not been included in these financial statements.

The principal accounting policies adopted in the preparation of the financial statements as set out below have been consistently applied to all periods presented.

Financial instruments

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

Financial assets and financial liabilities are measured initially at fair value plus transactions costs. Financial assets and financial liabilities are measured subsequently as described below.

Financial assets

The Company classifies its financial assets as 'loans and receivables'. The Company assesses at each balance sheet reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date, which are classified as non-current assets. Loans and receivables are classified as 'trade and other receivables' in the Balance Sheet.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulty, high probability of bankruptcy or a financial reorganisation and default are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at original effective interest rate. The loss is recognised in the Income Statement. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the Income Statement.

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

Notes to the Parent Company financial statements
continued

1. Parent Company accounting policies continued

Financial liabilities
The Company's financial liabilities include trade and other payables, borrowings and contingent consideration.

Trade payables and borrowings are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Contingent consideration is measured at fair value at each reporting date with movements recognised as a profit or loss.

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

Investments
Investments in subsidiaries are shown within the parent undertaking's financial statements at cost, less any provision for impairment in value.

Current taxation
Current taxation for each taxable entity in the Company 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 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 Company's contributions to defined contribution pension plans are charged to the Income Statement in the period to which the contributions relate.

Leasing
Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Equity and reserves
Equity and reserves comprises the following:

- "Share capital" represents amounts subscribed for shares at nominal value
- "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 Company operates share option based remuneration plan for its employees. None of the Company'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 a 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.

2. Investments

The Company holds the issued share capital of the following subsidiary undertakings:

Name of subsidiary	Principal activity	Class of shares	Place of incorporation and operation	% ownership held by the Company 2017	% ownership held by the Company 2016
United Legal Services Limited	Development and hosting of internet based software applications for legal services businesses	Ordinary	UK	100	100
United Homes Services Limited	Development and hosting of internet based software applications for property services businesses	Ordinary	UK	100	100
Legal-Eye Limited	Compliance consultancy services for solicitors	Ordinary	UK	100	100
Conveyancing Alliance (Holdings) Limited	Intermediary non-trading holding company	Ordinary	UK	100	–
Conveyancing Alliance Limited	Development and hosting of internet based software applications for legal services businesses	Ordinary	UK	100	–
Home Owners Alliance Limited	Operation of website for home owners and prospective home owners	Ordinary	UK	35	35
Financial Eye Limited	Financial compliance consultancy services for solicitors	Ordinary	UK	15	15

	Investments in Group undertakings £000's	Investments in associates £000's	Loans to associates £000's	Total £000's
Cost				
As at 1 April 2015	6,154	–	–	6,154
Acquisitions (See notes 12 of the group accounts)	–	575	100	675
Share-based payment reserve	58	–	–	58
As at 31 March 2016	6,212	575	100	6,887
Acquisitions (See note 28 of the group accounts)	10,552	–	–	10,552
Share-based payment reserve	72	–	–	72
As at 31 March 2017	16,836	575	100	17,511

Notes to the Parent Company financial statements
continued

3. Receivables

Current receivables:	2017 £000's	2016 £000's
Amounts owed by Group undertakings	76	1,858
Other debtors	106	–
Prepayments	77	70
	259	1,928

Non-current receivables:	2017 £000's	2016 £000's
Prepayments	86	15

4. Trade and other payables

	2017 £000's	2016 £000's
Trade payables	26	10
Amounts owed to Group undertakings	63	–
Social security and other taxes	–	29
Accruals	209	368
Deferred consideration	989	989
	1,287	1,396

5. Borrowings

Current liabilities:	2017 £000's	2016 £000's
Bank loans	2,000	720

Non-current liabilities:	2017 £000's	2016 £000's
Bank loans	3,750	170

6. Provisions

Non-current liabilities:	2017 £000's	2016 £000's
Deferred/contingent consideration	2,613	852

7. 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.

	2017		2016	
	No	£000's	No	£000's
Ordinary shares of £0.40 each	64,828,057	259	64,828,057	259
Ordinary shares of £0.40 each	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.

	2017 Number	2016 Number
Shares issued and fully paid		
Beginning of the year	64,828,057	64,727,875
New shares issue	–	100,182
Shares issued and fully paid	64,828,057	64,828,057

No new shares were issued during the year.

Allotments during the year

Year ended March 2017	Number	Par value £000's
Share issue	–	–

Year ended March 2016	Number	Par value £000's
Share issue	100,182	–

During the year ended 31 March 2016 the issued 100,182 new ordinary shares of 0.4p with a share premium of £54,600.
The issue of shares was in part consideration for the investment in HomeOwners Alliance Limited (see note 12 to the Consolidated Financial Statements).

Ordinary share options:

The Company operates a share option scheme to which the Executive Directors and employees of the Group may be invited to participate by the remuneration committee. Disclosures relating to the Company's share options are detailed in note 18B to the Group financial statements, there being no difference between the Company and Group disclosures.

Notes to the Parent Company financial statements

continued

8. Related party transactions

Related party transactions with third parties other than the Company's subsidiaries are disclosed in note 27 to the Consolidated Financial Statements.

9. Post balance sheet events

There have been no reportable subsequent events between 31 March 2017 and the date of signing this report.

10. Dividends paid

	2017 £000's	2016 £000's
Final Dividend for the year ended 31 March 2016 of 0.26p (2016: 1.00p) per share	168	647
1st Interim Dividend 1.10p (2016: 1.05p) per share	711	680
2nd Interim Dividend 0.0p (2016: 0.79p) per share	–	511
Total dividends paid	879	1,838

As well as the dividends paid as shown in the table above, the Board proposes a final dividend of £711,000 (1.10 pence per share) in respect of the year ended 31 March 2017 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.

Company information

Directors

Peter Opperman – Non-executive Chairman
Ben Thompson – Chief Executive Officer
John Williams – Finance Director
Andrew Weston – Co-founder and IT Director
Geoff Wicks – Independent Non-executive Director

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The London Stock Exchange
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