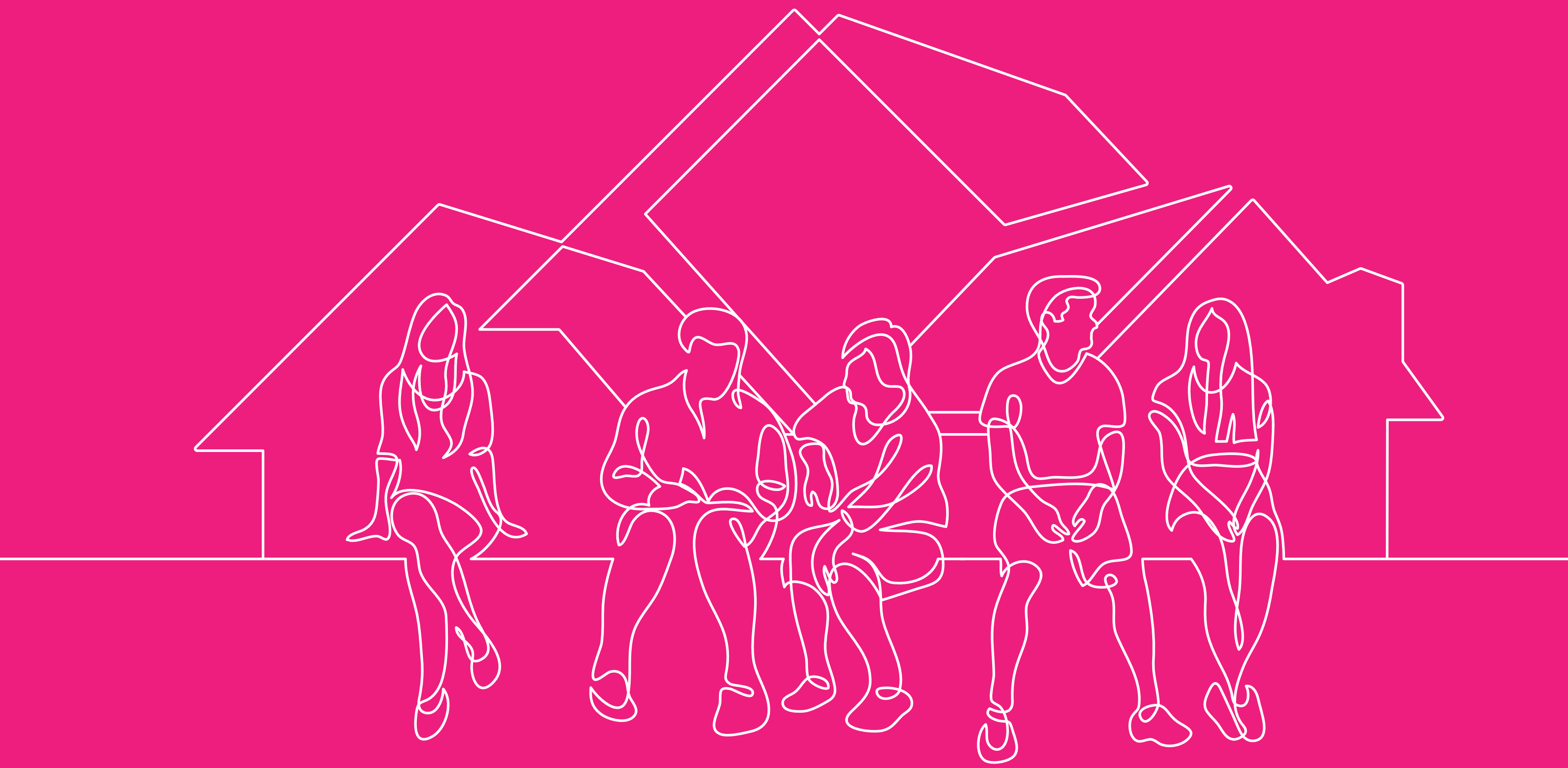
smoove

Solving home buying and ownership together



ANNUAL REPORT & ACCOUNTS 2023

Overview

Strategic Report

Governance

Financial Statements

A leading provider of technology solutions to the UK home moving market

Operational highlights for the year ended 31 March 2023

- Conveyancing instructions up 5% on FY22 to 69,662. Conveyancing completions up 44% on FY22 to 53,224
- Significant growth in remortgage segment driven in part by new fees-assisted remortgage product line through Lloyds Banking Group
- Release of new eConveyancer user interface and APIs with the aim of increasing instructions and deepening relationship with introducers
- More than 85% of eConveyancer transactional cases now enabled on DigitalMove, handling more than 110,000 instructions to date
- Significant contractual wins including Mojo, Legal & General, Chimnie and Unbiased
- Smoove Complete, the Group's platform for self-employed Consultant Conveyancing Lawyers ("CCLs") launched in October and had 11 CCLs contracted at year end
- Return of capital of £3.65 million via tender offer for the repurchase of shares. Cash balance of £10.1 million at year end

53,224

Conveyancing completions

A conveyancing completion is when the conveyancing transaction has been marked as completed on the eConveyancer platform by the conveyancer and revenue is recognised.

69,662

Conveyancing instructions

A conveyancing instruction is the point where a customer chooses a conveyancer through the eConveyancer platform. This provides a strong indication of future revenues.

Financial highlights and KPIs

2023 £20.6m
2022 £19.2m

£20.6m +7.4%

2022: £19.2m

Revenue

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

£(5.8)m 2023
£(5.4)m 2022

£(5.8)m

2022: £(5.4)m

(Loss) before Tax

IFRS measure of profit which is after exceptional costs.

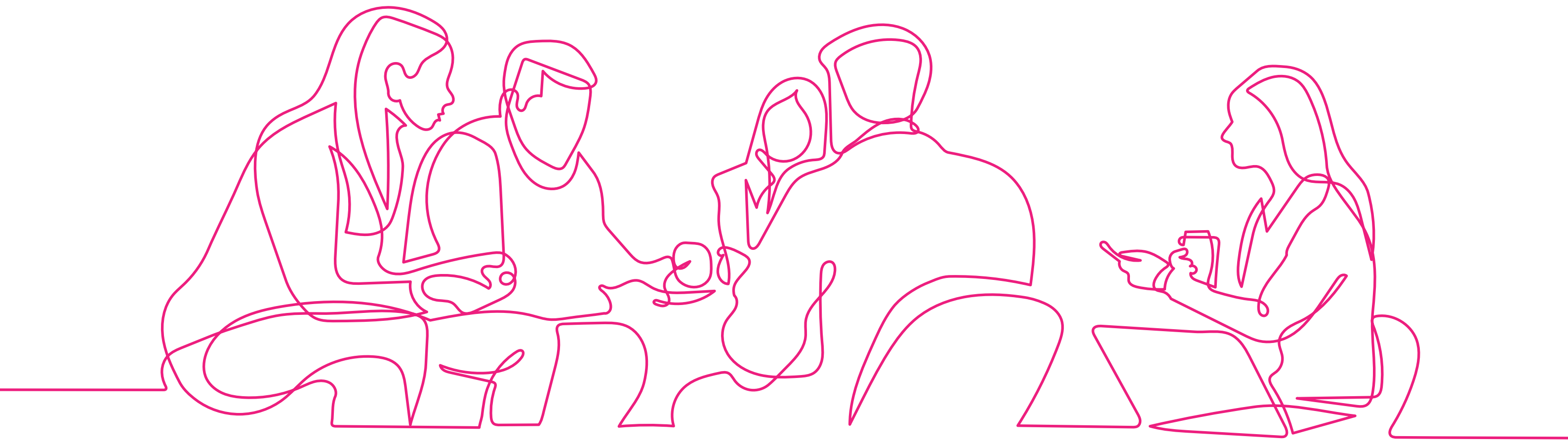
£(4.8)m 2023
£(3.7)m 2022

£(4.8)m

2022: £(3.7)m

Underlying EBITDA

Non-IFRS measure of profit which excludes depreciation, amortisation, finance charges, and non-recurring items not likely to impact future cash flows (see page 19).



2023 £10.1m
2022 £22.0m

£10.1m

2022: £22.0m

Net cash

Cash balances at bank.

Must Reads

04 Our investment case

12 Our strategy

08 Our business model

To find out more visit **hellosmoove.com**

At a glance

Our vision

To simplify and revolutionise the home moving and ownership experience for everyone.

Our mission

To deliver products and services that remove the pain, frustration, uncertainty, friction, stress and snail-like pace moving home currently takes.

What we do

We provide online digital platforms for everyone involved in the buying, selling and refinancing of property in the UK.

Our distribution channels

We have a multi-channel route to market through intermediaries (introducers) such as mortgage brokers, banks, building societies, estate agents, and direct-to-consumer websites.

Customer

We are a customer-focused technology and service business aiming to revolutionise how home moving and ownership can be a better experience for everyone involved. We understand how the housing market works and the frustration felt by consumers at the painstaking time it takes to complete a transaction which is why we marry technology and human assistance to deliver the very best customer service.

Digital

Smoove is investing in new technology to generate more value from its partner relationships, develop new revenue streams, and build products that improve the experience of consumers.

Experience

We have been delivering technological solutions for the property and legal industry since 2004 and have over 1 million transactions behind us. We continually strive to improve the home ownership experience while unlocking efficiencies and revenue earning opportunities.

Our strategy

We aim to continue to generate profitable growth using our three key strategic pillars:

#1.

Demand Generation

Use technology to generate significant additional instruction demand from our broadened network of introducers

#2.

Smoove Complete

A platform business utilising our unique market position and technology capabilities to develop a new conveyancing proposition delivered by self-employed Consultant Conveyancing Lawyers ("CCLs")

#3.

Optimised Cross-Selling

Provide consumers with great conveniently available deals on household finance and utility products at a time when they will be most in need of those products

Find out more on page 12

Our investment case

#1

Unique market position

eConveyancer is a market-leading platform that brings together introducers and conveyancers to offer a conveyancing comparison service to consumers.
The platform's reach is unmatched and includes leading partners within the home moving and remortgaging ecosystem.

#2

Differentiation through technology

Smoove's market position is reinforced by unique technology. DigitalMove is a value-added onboarding, progress tracking and messaging service within eConveyancer. The recently released eConveyancer user interface and APIs will unlock greater value from the Group's relationships with introducers.

#3

Extending reach

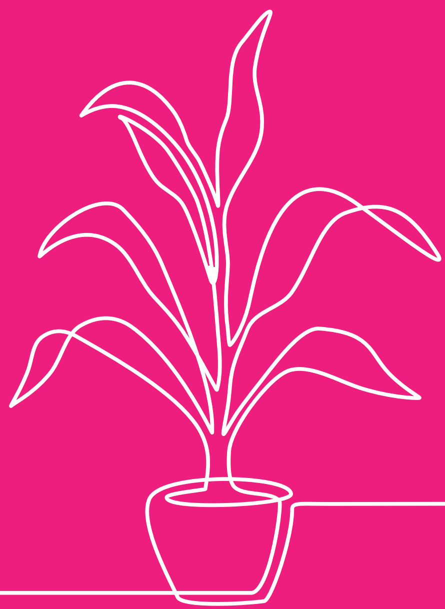
Smoove Complete expands the Group's revenue streams to include conveyancing services. The Group's unique technology expertise promises to make the conveyancing experience more efficient and more satisfying for consumers and self-employed conveyancing lawyers.

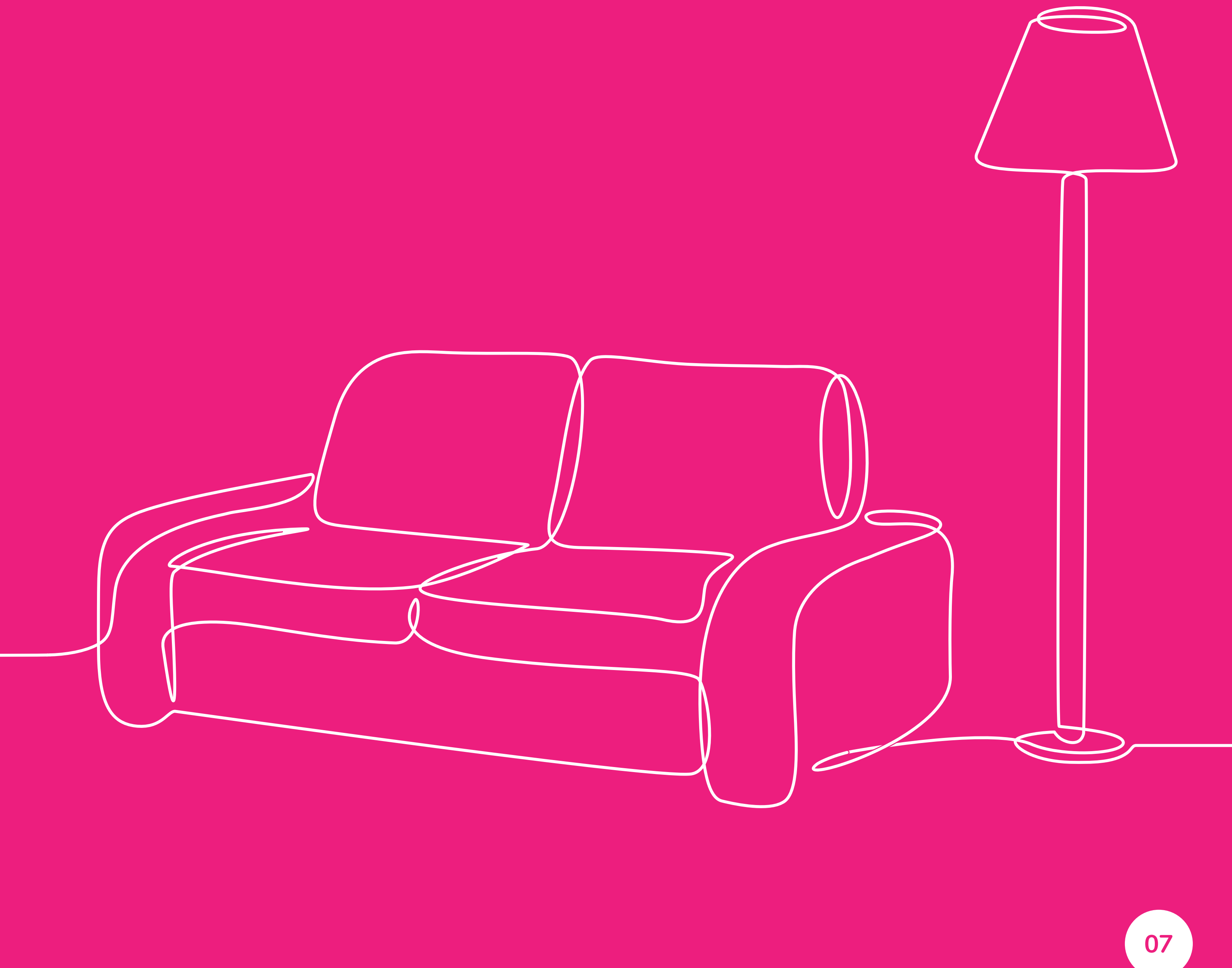
#4

People

The Smoove team combines industry expertise across mortgage broking, lending, and conveyancing with specialist technical skills in areas such as software engineering, digital product development, and data.

Strategic Report

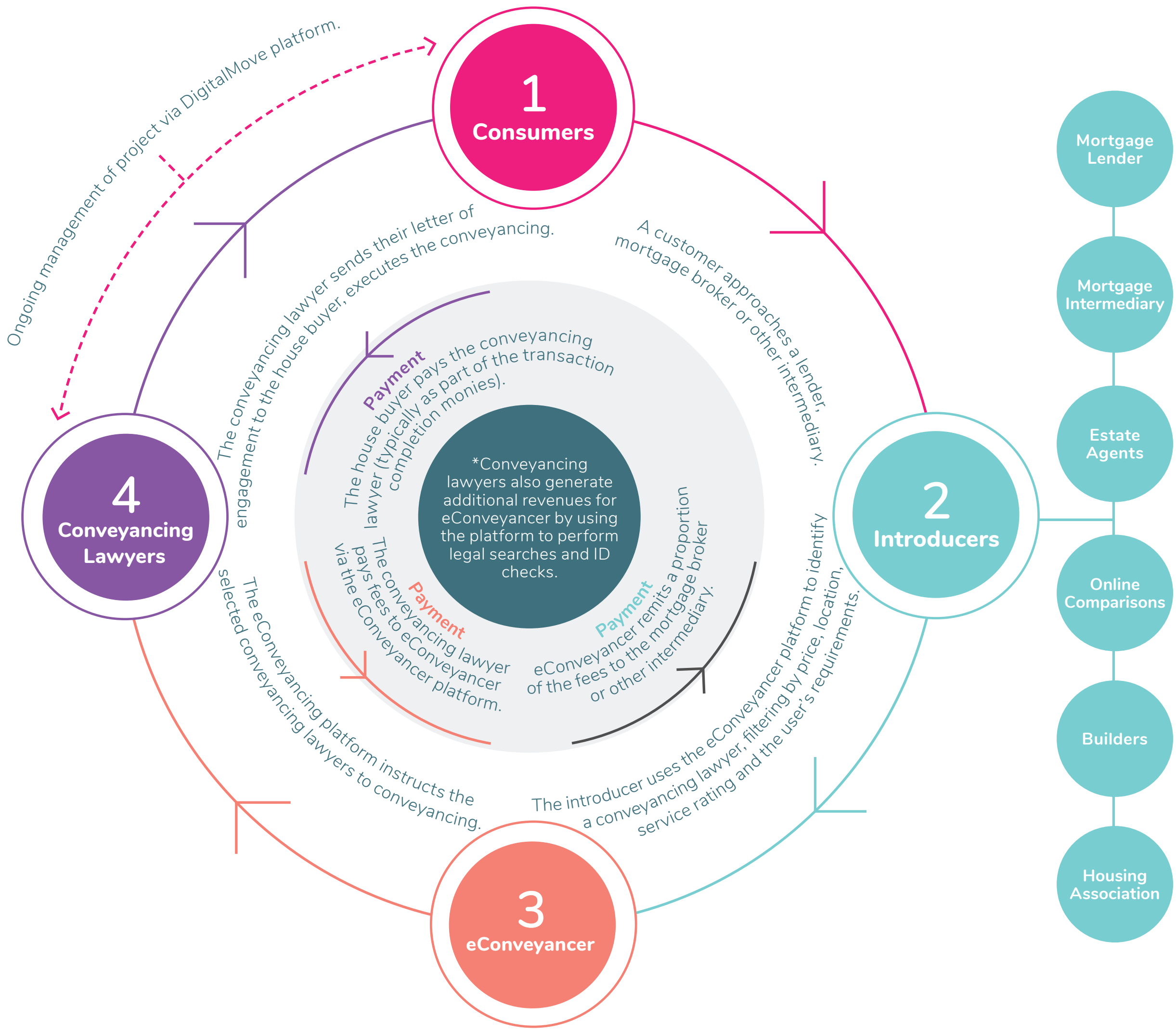




Our business model

We bring consumers and legal professionals together via our two-sided marketplace of comparison services.

We partner with conveyancers to create panels that compete for consumers' business on price, location and service rating.



How we create value for stakeholders

Smoove has created an ecosystem where there are benefits for all parties involved. This is why the system as a whole is sustainable, adaptable, expandable and successful.

Benefits for Consumers

Cost-saving

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

Choice

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

Service

Smoove provides ratings on its providers, helping consumers to make an informed choice.

Benefits for Introducers

Scope

Smoove enables intermediaries to offer their customers a range of conveyancing services from a wide choice of providers nationwide at competitive prices.

Reward

Smoove allows intermediaries to access multiple related services from a single interface, helping them to generate multiple sales from their customer in one sitting and to increase profitability.

Time-saving

Smoove's user-friendly interface is designed to reduce the time taken to complete the sales process, further enhancing broker ROI.

Benefits for Conveyancers

Volume

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

Market reach

Smoove provides a platform for service providers with low brand recognition to raise their profile, helping them attract new business.

Value-added tools

Through DigitalMove Smoove provides an efficient customer onboarding tool and valuable messaging service that keeps transaction participants informed.

Our market

The period ended 31 March 2023 was an exceptional year for the property market. The sector was impacted by the enduring aftershocks of the Covid-19 pandemic and its "race for space", the cost-of-living crisis, and increasing macroeconomic volatility. The most impactful event of the year was the Chancellor's mini-budget announced in September, which caused unintended fallout in the capital markets and contributed to sharp volume declines in both the property and remortgage markets for a period of time thereafter. Fortunately, the market showed increasing resilience at the year end after the significant disruption of Q3.

For the home moving market the prior year was unique. A stamp duty holiday in FY 2022 combined with the Help to Buy scheme, now discontinued, meant that housing market stimulus was at an all-time high. Consequently, the level of mortgage approvals[1] for house purchases showed a year-on-year decline of 15% in the first half of FY 2023 coinciding with the removal of this stimulus. The market deteriorated markedly in the second half following the government's mini-budget in September with mortgage approvals[2] for house purchase falling further to a 34% year-on-year decline. Market volumes recovered continuously through Q4 suggesting that consumers were adjusting to a new normal of higher interest rates.

The remortgage market experienced a year of two halves even more strikingly than the home moving market. In H1 2023, remortgage approvals[3] were up 28% year-on-year, continuing the strong demand from the previous year, with interest rates remaining at historic lows and the Bank of England only beginning its tightening cycle. However, the second half of the year witnessed a steep drop in activity, with remortgage approvals[4] falling by 30% year-on-year in H2 2021 as the mini-budget triggered rapidly increasing mortgage rates and lenders scrapping or repricing mortgage products.

The year saw sustained increases in the Bank of England's base rate – rising from 0.75% at the beginning of the period to 4.0% by March 2023 – monetary tightening that continued after the period end. The increasing cost of borrowing inevitably contributed to slowing house price inflation, although an outright correction in house prices was avoided. In February 2023, the average price of a UK property was £287,506, a 1.0% decrease month-on-month but 5.5% higher than the year before.[5]

1 Bank of England: Monthly number of sterling approvals for house purchase.

2 Bank of England: Monthly number of sterling approvals for house purchase.

3 Bank of England: Monthly number of sterling approval for remortgaging.

4 Bank of England: Monthly number of sterling approval for remortgaging.

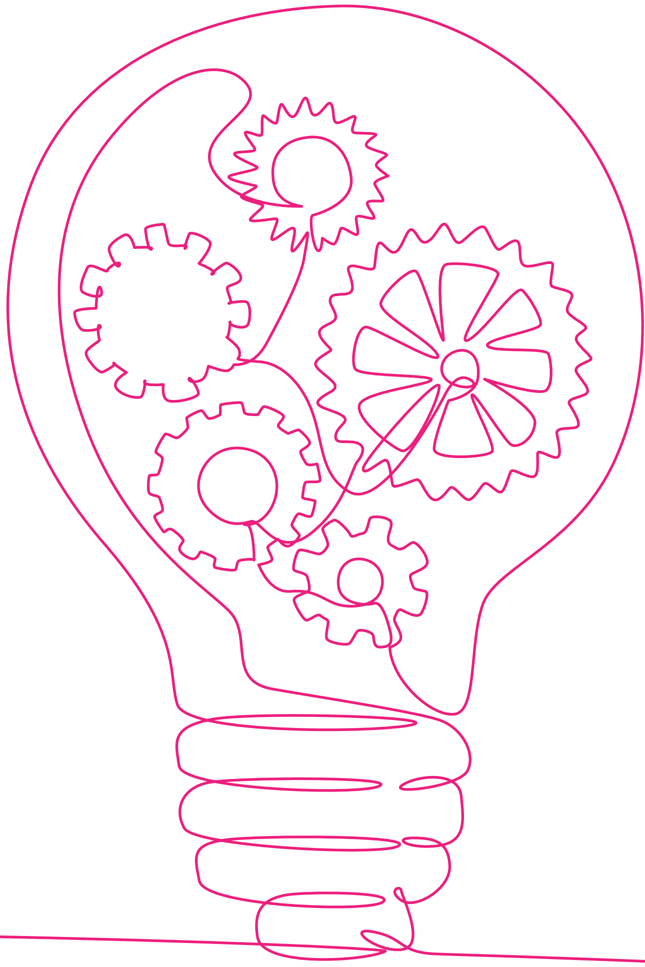
5 UK HPI, February 2022 – UK House Price Index summary: February 2023 – GOV.UK (**www.gov.uk**).

6 ONS Statistics, March 2023 – Employment in the UK - Office for National Statistics (ons.gov.uk).

7 **https://www.moneyfactsgroup.co.uk/media-centre/group/fixed-mortgage-average-rates-at-a-six-month-low/**
https://www.bbc.co.uk/news/business-63715092.

Despite the increased economic volatility, the labour market remained tight. By March, the UK unemployment rate was estimated at 3.7%, 0.3 percentage points below pre-pandemic levels.[6] Low unemployment generally coincides with favourable conditions in the housing market, although current labour market conditions could be viewed as a contributing factor to inflation rates that are significantly above trend.

Credit conditions improved throughout the second half of the period following the volatility of the mini-budget. At the period end the average five-year fixed mortgage rate had declined for four consecutive months to reach 5.00% after peaking at 6.51% following the mini-budget.[7] Following the period end the interest rate environment experienced renewed uncertainty. Mortgage rates have increased reflecting changed expectations in the capital markets, which now expect interest rates to remain higher for longer than previously anticipated in response persistently high core inflation. This, in turn, weighed on confidence in the housing market and heightened concerns that house prices may fall.



Our strategy

Our strategy is built on three specific key pillars.

Demand generation

Improving a market-leading platform through technology enhancements

We have developed a market-leading platform that brings together introducers and conveyancers. We are investing in this platform to deepen our relationships with introducers, add additional routes to market, and generate more instructions from these relationships. The releases of the new eConveyancer user interface and APIs during the year added meaningfully to our demand generation capabilities. We are increasingly using data to inform and augment our sales and marketing efforts for introducers.

Smoove Complete

A unique vantage point to develop a high potential business

We are uniquely positioned to develop a new conveyancing proposition delivered by self-employed Consultant Conveyancing Lawyers ("CCLs"). Our technology heritage, including products like DigitalMove, gives us a unique ability to provide an innovative home moving experience for both conveyancers and consumers that improves communication and addresses points of friction. The addition of the Smoove Complete platform means that the Group can combine the delivery of conveyancing services alongside the demand generation of eConveyancer. The addressable market for self-employed conveyancers is large and benefits from several favourable dynamics.

Optimised cross-selling

Utilising data insights to create a new revenue stream

We ultimately want to be the convenient choice for all homeowners and we believe we can generate value via cross-selling home services using our data insights to provide 'at the right time' personal and relevant comparison services for home set-up deals such as broadband, moving services, insurance, utilities and finance.

Chief Executive's statement

Smoove are investing in our product suite and routes to market to prosper and gain share through the housing market cycle."

Jesper With-Fogstrup
Chief Executive Officer

Smoove remains focused on delivering against its strategy during a period of increasing turbulence in the housing market and the broader economy.

The cost-of-living crisis, rapidly rising interest rates, and inflation hitting a 41-year high in October 2022, have all led to even greater volatility in the property market after the exceptional conditions of the pandemic. The housing market transitioned abruptly from benign conditions during the first half of the financial year to a steep decline in both the transactional and remortgage markets in Q3 FY23 as the government's mini-budget created a climate of uncertainty. Fortunately, meaningful recovery emerged in the final quarter of the financial year as consumers began adjusting to the new normal of high interest rates.

At Smoove, we are investing in our product suite and routes to market to prosper and gain share through the housing market cycle.

Highlights

- eConveyancer performing well in a difficult market
- Release of new eConveyancer user interface and APIs
- Strong growth in remortgage segment
- Launch of Smoove Complete in October with 11 CCLs contracted at year end

We are building a diversified business that has not only been resilient through these volatile periods, but one that is well positioned to grow as market conditions improve. I am pleased that the Company traded in line with the Board's expectations during the period.

I have now been in this role for two years and have been focused on extending our participation in the ecosystem of the home moving market, for all involved - from the consumer, who remains a core part of our strategy, to B2B stakeholders such as mortgage brokers and conveyancers, who can also benefit from our services to create the best possible home moving and remortage experience. This financial year saw the Group delivering on its strategy, with progress across our major business segments: eConveyancer, Smoove Start and Smoove Complete.

Our major business segments

eConveyancer

eConveyancer performed well in difficult market conditions and remains a leading distribution channel for conveyancing in the UK, bringing consumers and legal professionals together via comparison services.

During the year we released our new user interface after several years of no innovation which generated positive feedback from users. We also launched new APIs which promise to deeply integrate our proposition into the systems of mortgage brokers and other introducers.

Both developments are central to our relationship with introducers and aim to drive instructions by improving conversion, removing points of friction in the user journey, and accessing a larger pool of demand. Alongside this, we are investing in data infrastructure to improve the effectiveness of our sales and marketing efforts by ensuring we contact the right customer with the best offer at the right time.

DigitalMove continues to provide a value-added onboarding experience within eConveyancer, with more than 110,000 total cumulative cases at the period end and 85% penetration within applicable cases.

As part of our navigation of the everchanging market, we have positioned eConveyancer to capture a significant share of remortgage work, to offset some of the decline in transactional cases. In particular, our relationship with Lloyds Banking Group was extended late in FY22 to include a new fees-assisted remortgage product that contributed meaningfully to volumes in FY23.

We added several new eConveyancer relationships during the year including Mojo, Legal & General, Chimnie and Unbiased. These relationships further establish our position and brand in the market.

Smoove Start

Smoove Start launched in late August 2022 after a well-received limited product pilot. After encouraging levels of branch acquisitions initially, momentum for Smoove Start slowed significantly as market conditions became more challenging following the mini-budget. Estate agents were less receptive to spending on Smoove Start's software offering for ID verification, anti-money laundering, and upfront information. As a result, we pivoted the sales effort to focus on a conveyancing-led offering to emphasise the fee earning potential to estate agents from referral of cases into eConveyancer. Despite this change, our ambition remains unchanged – to open up the estate agency channel as a source of instructions for eConveyancer enabling Smoove to target a previously unaddressed market.

Smoove Complete

Smoove Complete is a platform for self-employed Consultant Conveyancing Lawyers ("CCLs"). In exchange for a share of the conveyancing fee income, Smoove provides CCLs with a suite of services including onboarding and post-completion services, as well as support infrastructure including technology, regulatory oversight and professional indemnity insurance. Smoove Complete targets a large addressable market of conveyancers and benefits from several favourable industry trends. We see this as an exciting pillar of our offering with great potential for scale and have already seen strong early feedback from the ecosystem of CCLs, introducers and consumers. The first CCL joined Smoove Complete on 25 October 2022 and at the period end 11 CCLs were contracted with the platform.

Overall, we are encouraged by the progress of our business segments as we strive to innovate and improve the industry. This year has shown that the Company is quickly able to adapt and pivot to changing demands, to solve complex problems and create opportunity for our customers and partners.

Chief Executive's statement continued

Investing in the business

Over the last two years we have invested significantly to both reverse a period of under investment and also to broaden the business by cultivating opportunities within new introducer channels and market segments as we are doing with Smoove Complete. This is positioning the Group to increase market share and shareholder value as we participate in more of the home moving market.

On 9 January 2023 Smoove completed a tender offer to purchase 9,129,236 shares representing 14.0 per cent. of the issued ordinary share capital. This represented a return of capital to shareholders of £3.65 million at a tender price of 40p. The take up of the offer was 73% of the 12,500,000 shares and £5 million that had been authorised by shareholder resolution. I would like to take this opportunity to thank shareholders for their continued support of our evolving offering.

In August 2022, we also announced a cost reduction initiative, and at the end of the financial year the Board approved significant further cost reductions. These reductions aim to ensure that the Group's cost base is appropriate for turbulent market conditions, whilst retaining sufficient investment to execute the Group's strategy and capitalise on the sizable available growth opportunities.

Our team

We have a great set of colleagues at Smoove and are encouraged by our levels of employee engagement. We appreciate that our Group benefits from employees with a mix of profiles, backgrounds and experiences. This includes colleagues with a long tenure at Smoove, deep conveyancing and mortgage broking experience, and specialist technical skills, including product, software engineering and data.

Our colleagues are both resilient and committed. They have contributed to the Company's success through the challenges of the pandemic and the many fluctuations in the market that we continue to face. I would like to thank the team for their hard work again this year. You can read more about our culture and initiatives in the Corporate Social Responsibility section of this Annual Report.

Outlook

This year has been another volatile period, presenting both challenges and opportunities. The growth in our remortgage volume demonstrates our ability to adapt to market conditions. The development of a new user interface and APIs for eConveyancer provide a strong platform for future growth of that business. Smoove Complete's early results are promising and suggest latent demand among conveyancers for a way of working that is flexible, innovative, and customer-focused.

As I mentioned, the fourth quarter saw encouraging signs in the market, which suggest that the house buying and remortgage sectors may normalise following a period of turbulence. The year ending 31 March 2024 has started positively for the Company. The remortgage segment has been buoyant with instructions up strongly year-on-year. The transactional segment has been stable with instructions lower year-on-year, in line with the Board's expectations and the overall housing market but supplemented by various contract wins and the recent strategic partnership with Mortgage Advice Bureau. While we cannot predict what is on the horizon, we have proven our resilience, and are well placed to grow and profit from the home moving sector, now involving more of the ecosystem, from estate agents to consultant conveyancing lawyers.

Jesper With-Fogstrup

Chief Executive Officer

Smoove plc

Financial review

"Revenue increased by 7% year-on-year against a background of increased uncertainty in the housing market and the broader macroeconomic environment."

Michael Cress

Chief Financial Officer

Results

Revenue increased by 7% year-on-year against a background of increased uncertainty in the housing market and the broader macroeconomic environment. This revenue growth was accompanied by a significant change in mix driven by divergent trends in transactional and remortgage volumes. As shown on the table of key performance indicators below, transactional instructions and completions declined during the period by 25% and 16% year-on-year, respectively. In contrast, remortgage instructions and completions increased by 40% and 130%, respectively. Whilst we are pleased that we were able to capture demand within the remortgage segment, the lower yields of remortgage work translated into a reduction in gross margin as a percentage of revenue from 40% in the previous period to 38% in the current period. The trend in transactional volumes was heavily influenced by background market conditions. In the first half of the period year-on-year comparatives were distorted by the expiry of the stamp duty holidays which stimulated demand in the prior year. In the second half both transactional and remortgage volumes contracted severely during Q3 in response to the uncertainty associated with government's mini-budget of September 23rd before recovering significantly during Q4.

Underlying PBT loss widened from £4.9 million to £5.6 million as a result of increased administrative expenses and stable gross profit. At the announcement of annual results on 22 August 2022, the Group announced a series of cost reduction initiatives, which were followed by a further cost reduction initiative implemented following the period end. The initiatives are beginning to bear fruit and will reduce the level of cost in the next financial period but occurred too late to significantly benefit current year administrative expenses.

The Group launched Smoove Start, its product for estate agents, in August 2022. After an encouraging initial level of branch signups, branch acquisition slowed following the uncertainty of the mini-budget. As a result, the product was refocused to emphasise the fee earning potential for estate agents through referral of cases to eConveyancer, the Group's core business. The change of emphasis will involve lower support costs for the product and underscores the Board's intention to align product investment with market conditions.

Summary

£20.6m
(2022: £19.2 million)
Revenue

£7.8m
(2022: £7.8 million)
Gross margin

£(4.8)m
(2022: £(3.7) million)
Underlying[1] EBITDA

£(5.6)m
(2022: £(4.9) million)
Underlying[1] PBT

£(5.8)m
(2022: £(5.4) million)
Reported PBT

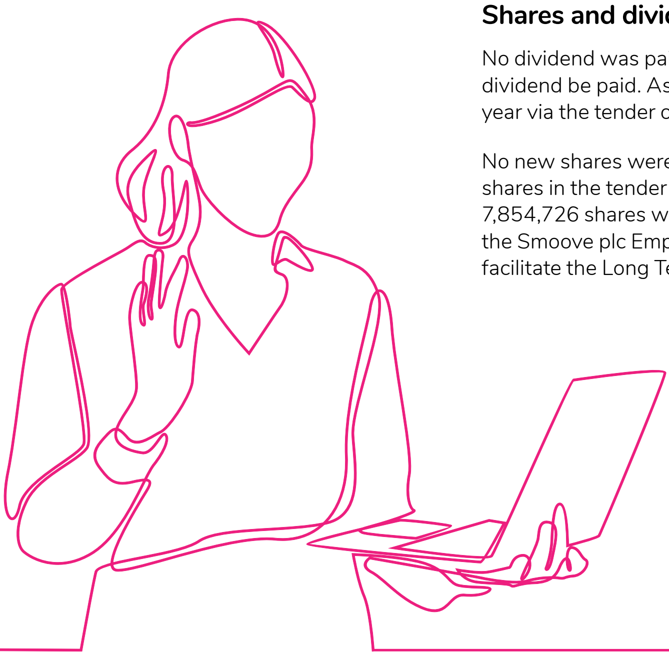
1 See table on page 19 for detail on the calculation of non-IFRS profit measures.

Financial review continued

Smoove Complete, the Group's platform for self-employed conveyancers, launched in late October 2022 and had 11 Consultant Conveyancing Lawyers ("CCLs") contracted at the end of the period, which was in line with management expectations. Because the contracts were signed late in the period, Smoove Complete did not materially contribute to gross profit during the year. Smoove Complete operates within Amity Law Limited, the firm of conveyancers that the Group acquired in October 2021.

The Group's capitalised web development expenditure was £746,000 during the period, an increase from the £316,000 reported in the prior period, but below the level of prior years. The year-on-year increase arises primarily because development work met the criteria for capitalisation to a greater extent. Key focuses for development during the period were the new eConveyancer user interface and APIs, both of which are fundamental to the Group's relationship with introducers. Development expenditure not capitalised in the period was £989,000 (2021: £848,000).

The results for the period include exceptional administrative expenses of £222,000 (2022: nil). This is composed £176,000 of advisory and legal fees associated with the share buyback and £46,000 resulting from the early termination of an office lease.



The results for the prior period include an impairment of £503,000 to the carrying value of the Group's investment in Homeowners Alliance Limited. In the consolidated accounts the investment is accounted for as an associate under the equity method of accounting. No assets were impaired in the current period. The impairment review is described in note 12.

Key performance indicators

Our key performance indicators are set out on page 1, financial KPIs are discussed on page 17, and non-financials measures for the financial years ended 31 March 2022 and 2023, respectively are shown below:

Non-Financial Metrics	2023	2022
Instructions		
Transactional	**26,877**	35,917
Remortgage	**42,785**	30,477
Total	**69,662**	66,394
Completions		
Transactional	**18,382**	21,837
Remortgage	**34,842**	15,128
Total	**53,224**	36,965

Cash and debt

The cash balance at year end stood at £10.1 million (2022: 20.0 million). The reduction in cash included the £3.65 million return of capital to shareholders through a repurchase of shares executed via a tender offer that closed on 9 January 2023. The Board believe that the tender offer achieved a balance between an immediate return to shareholders and investment to deliver future returns.

Shares and dividends

No dividend was paid in the year. The Board is not recommending a final dividend be paid. As noted above, a return of capital was made during the year via the tender offer for repurchase of shares.

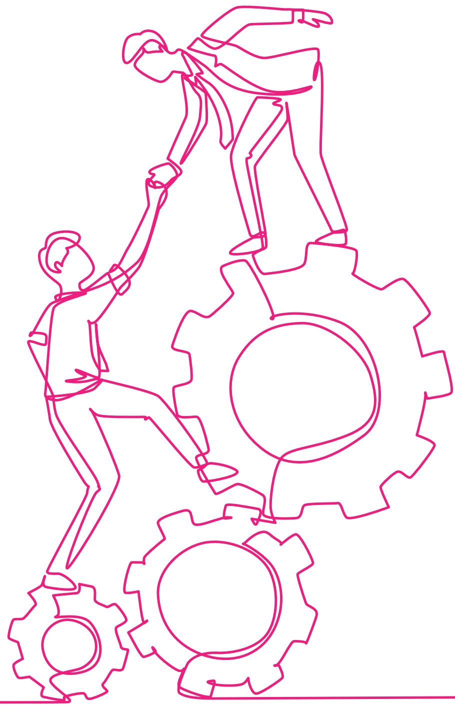
No new shares were issued in the year. The Group repurchased 9,129,236 shares in the tender offer at a price of 40 pence per share. Of this total 7,854,726 shares were cancelled and 1,274,510 shares were transferred to the Smoove plc Employee Benefit Trust at a price of 0.4 pence per share to facilitate the Long Term Incentive Plan ("LTIP") adopted on 17 January 2023.

Non-IFRS profit measures

In addition to the IFRS measures of profit the Board believe it is useful to show non-IFRS measures which the Board review on a regular basis in order to evaluate business performance. These additional measures have the advantage of excluding major non-cash non-recurring items such as impairment charges. In addition, the Board believe that EBITDA is a metric that is commonly used by the Group's investors. Therefore, we believe that highlighting these measures in addition to the IFRS measures gives a useful insight to the readers of the report. The table below lays out two key measures and shows how they are derived. The calculation of EBITDA has been modified compared with prior years to exclude share-based payment expense and the share of profit from associates, both of which are significant non-cash items. The cash cost of the exercise of share options is reported in the Statement of Changes in Equity and was nil in 2023 (2022: £52,000).

Calculation of Non-IFRS profit measures	2023 £000's	2022 £000's
(Loss) before taxation (PBT)	**(5,784)**	(5,365)
Impairment of investment	**–**	503
Exceptional administrative expenses	**222**	–
Underlying (Loss) before taxation (Underlying PBT)	**(5,562)**	(4,862)
Finance income	**(217)**	(25)
Finance costs	**28**	102
Amortisation	**582**	683
Depreciation	**298**	329
Share-based payment expense	**110**	108
Share of profit from associate	**(58)**	(31)
Underlying EBITDA	**(4,819)**	(3,696)

Michael Cress
Chief Financial Officer
4 July 2023



Risk management

The risk management committee manages all risk registers for the Group and reports their findings to the Board who assess the effectiveness of control systems.

For more information read our Audit and Risk Committee report on page 33

	Risk Areas	Potential Impact	Mitigation
1	**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 gross margin attributable to this contract is now less than 20% of total gross margin. Additionally, the Group works closely with Lloyds Banking Group to ensure it is delivering a high level of service and constantly enhancing the service being offered. Over the past year the new fee assist remortgage product has expanded significantly.
2	**Loss of key panel firms** The Group operates a large panel of 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 builds strong relationships with its panel of firms thereby enabling it to constantly monitor their capacity and service levels. The Group actively looks to recruit new firms onto its panel 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. The Group takes reputation risk seriously and any new firms have to pass certain criteria before they are allowed on the panel.
3	**Macroeconomic 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 such as Brexit and pandemics can positively or negatively impact the number of housing transactions.	The Group continues to diversify its revenue sources by increasing the number of introducers within eConveyancer and adding new business segments, such as Smoove Complete. This means that the Group is not solely reliant on growth in the general market for its own growth. The Board regularly sensitises its financial forecast to market conditions to ensure the adequacy of cash resources.
4	**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 continually gathers market feedback on new products. It also conducts post completion audits to facilitate continuous improvement. The Group uses KPI metrics to analyse product performance and ensure that investment levels are aligned to the likely return.
5	**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, quality and resilience in order to maintain its competitive advantages. Additionally, while the Group is one of the largest in the market it still holds a relatively small percentage market share. The Group seeks to sustain its competitive advantage through continual product enhancements such as the new user interface and APIs for eConveyancer.
6	**Technology** 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.	End User Computing is protected by industry best practice measures, conforming to Cyber Essentials+ standards, including antivirus, software updates and user account hygiene. Business system servers, and servers providing client services, are hosted in Microsoft's Azure cloud environment, and replicated over two different UK locations enabling immediate failover in the event of a loss of service at one location. System backups are produced and maintained. Group developed web applications are regularly penetration tested. The Group maintains a training programme for all staff to raise awareness of IT risks such as phishing.
7	**Regulatory changes** The Group makes nearly all its margin from what some may call referral fees and search fees.	If either of these were prohibited the Group would need to look to reconfigure its revenue model towards licence fees or another model.	While, in the past, referral fees in the conveyancing market have been looked at by government, they have stepped back from taking action as they have done in the personal accident claims arena. This may be because they can see that comparison platforms such as ours deliver engagement, choice and value.

Stakeholder engagement and Section 172 (1) statement

The Directors of Smoove consider that in managing the Company over the year they have complied with Section 172(1) of the Companies Act 2006 by being fully engaged with stakeholders and focused on decisions which promote the long-term success of the Company for the benefit of all stakeholders. The Board receives regular reports from the senior management team and all subsidiaries regarding strategy, performance and key decisions taken. This provides assurance that proper consideration is given to stakeholder interests in decision-making. The Board uses this information to assess the impact of decisions on each stakeholder group as part of its own decision-making process. In addition to having regard to the interests of the Group's stakeholders, the Board also consider the impact of the Group's activities in light of its broader social responsibility, the environment and the Group's reputation.

Section 172 matters	
1) The likely consequences of any decision in the long term	The core business strategy is designed to secure sustainable long-term growth for the Company. The development of Smoove Complete as an entirely new revenue stream supports this long-term vision of the Company. At least annually the Board considers the budget for the delivery of strategic projects based on extensive modelling. The senior management team report on financial and non-financial activity each month which is used to constantly evaluate the impact and outcome of strategic decisions made. During the year the Board implemented a cost reduction initiative that included redundancies for some employees. This decision was clearly painful for the affected employees, but the Board felt it was in the long-term interests of the Group as a response to increased uncertainty in the macroeconomic environment. The Board remains committed to investment in product and people to drive long-term success. See our corporate governance report on pages 32 and 33 and our strategy on page 12.
2) The interest of the Company's employees	Our colleagues are fundamental to our continued success and in delivering against our strategy. The Board aims to foster an environment where colleagues feel valued and considered. The Group has fully transitioned to flexible hybrid working, and collaboration is achieved through multiple avenues both in-person and remotely. We take feedback quarterly through an online employee survey to understand the needs of our colleagues and take the pulse of how the work environment is operating for them. The Company's purpose, values and behaviours are discussed in section 8 of the chairman's introduction to governance on page 31. The section on Corporate Social Responsibility on pages 24 and 25 goes into more detail about the initiatives we have put in place for colleagues this year.
3) The need to foster the Company's business relationships with suppliers, customers and others	Our business model relies on the successful management of diverse relationships throughout the home moving supply chain including introducers, conveyancers, and consumers. The engagement is part of our ethos and is integral to how we design new products and improve existing products. We rely on a wide distribution network for recommendation and referral at all points in our supply chain. We want everyone in our industry to work with us and so engagement with all stakeholders is critical. All material contributors to our supply chain have due diligence checks and contract terms agreed prior to transacting with us to ensure complete clarity of engagement and to ensure our reputation and that of our clients is maintained.
4) The impact of the Company's operations on the community and environment	We are mindful of our impact on the local community and the wider environment. Our head office is located in the market town of Thame and we are very aware of our presence and potential for good in our local community. We maintain a high proportion of local colleagues. We are very proud of our ability to attract local talent and to offer local employment. A core part of our Vision is to make the home moving and ownership process simpler and more efficient through the use of our digital tools and services. We believe that adoption of these tools will contribute to a lower impact on the environment. The section on Corporate Social Responsibility on pages 24 and 25 goes into more detail on local impact.

Stakeholder engagement and Section 172 (1) statement continued

Section 172 matters	
5) The desirability of the Company maintaining a reputation for high standards of business conduct	Our business model depends upon maintaining a reputation for high standards. Our products and services are designed and guided through policy and processes built in consultation with our lender partners. We are subject to remote and onsite audits by FCA regulated lender clients and networks to ensure that our policy, processes, technical architecture and security systems conform to a very high standard. We are also subject to repeated due diligence assessments for new clients and through the Financial Services Qualification Scheme which keep our high standards visible and subject to constant scrutiny. All employees are subject to an introductory and ongoing training programme that includes modules on business conduct. The Board is committed to achieving and maintaining high standards of business conduct, corporate governance, integrity and business ethics. See page 32 for commentary on Smoove's Governance and page 20 for the proactive and pragmatic approach of Smoove toward risk management.
6) The need to act fairly between members of the Company	The Board is committed to engagement with our shareholder base. Our investor roadshows promote formal communication and usually take place after results are announced. We have an open line of communication with existing investors, who may request meetings, and with potential new investors on an ad hoc basis throughout the year. One of our Board members is Oliver Scott, a Partner at Kestrel Partners LLP, which is Smoove's largest shareholder. The Board ensures its duty to act fairly across all shareholders is never compromised. As an example, Mr. Scott recused himself from the Board's deliberations regarding the pricing of the tender offer to repurchase the Company's shares. The Corporate governance statement appears at page 32.

Stakeholder engagement

Further to the Section 172 (1) statement above, the following table looks at how the Group engages with its key stakeholders.

Stakeholder	Description	Types of engagement
Shareholders	Smoove has a range of shareholders from large institutions through to private individuals who may be described as retail investors.	The Board uses a number of ways to engage with shareholders. These are principally regulatory announcements, the Annual Report, our website and presentations and investor roadshows. During the year the Group held a capital markets day that provided an in depth briefing to institutional investors on Smoove's strategy and product development. This was followed up by an online Q&A session for retail investors.
Colleagues	Smoove has approximately 120 colleagues employed by Smoove subsidiaries.	The Group promotes an open and informal culture. A recurring programme of meetings for company managers promotes two-way communication and alignment to the Group's goals. There are also communication events including quarterly in person 'town hall' meetings, monthly business updates and a regular employee survey.
Conveyancers	In addition to owning a conveyancing firm Smoove has a network of conveyancers regulated by either the CLC or the SRA who interact with us through use of our products; sitting on our managed lender panels; or sitting in our eConveyancer panel.	A desire to understand the needs of conveyancers was a key motivation of the acquisition in the previous period of Amity Law, a conveyancing practice in Bolton. In addition, we maintain a robust and wide-reaching dialogue with conveyancers across multiple areas of the Group. Within eConveyancer, a dedicated team engages with firms either on the eConveyancer panel or seeking to join it. We also have direct and deep relationships with conveyancers through Legal-Eye, which advises conveyancers on compliance matters. Both eConveyancer and Legal-Eye engage further with conveyancers through annual conferences.
Consumers	Our customers are throughout our supply chain. We use the term consumers to mean homeowners/movers seeking conveyancing services.	Within Smoove's core eConveyancer service we use consumers to mean homeowners. Consumers are delivered to our platforms through our wide network of introducers. Some products are accessed directly by consumers without third party introduction through B2C channels. Consumers also interact with us through our customer service desk by email and telephone. At Amity Law, which includes Smoove Complete, consumers are homeowners, however Amity provides a conveyancing service to them directly rather than through eConveyancer. At Legal-Eye we use consumers to mean regulated legal and conveyancing firms who request Legal-Eye services. Those consumers provide us with deeper understanding of the regulatory requirements in conveyancing and provide insight into the areas within the industry that we wish to innovate.
Introducers	We use the term introducers to mean any individual or firm that brings a consumer into our systems. This can include: mortgage brokers; financial advisers; estate agents; conveyancers; B2C consumer platforms.	Smoove has a wide range of introducers. We have field and desk-based teams who are dedicated to building relationships and deepening connections with those introducers. Our solid relationships with introducers enable us to continually improve their experience, and their feedback helps us to innovate our products and services. The introducers' feedback, both for themselves and for their clients, is integral to our knowledge and helps us to inform the Board as to their views within our stakeholder community.
Communities	This encompasses a number of different elements including the communities in which our offices are based as well as the environment which has more global impact.	Colleagues within Smoove are encouraged to take part in charitable activities often within their local community for causes which they have a personal connection. For those causes Smoove commits to match their personal fundraising. Many colleagues live within our local community, and Smoove supports connections to organisations and activities within the community.

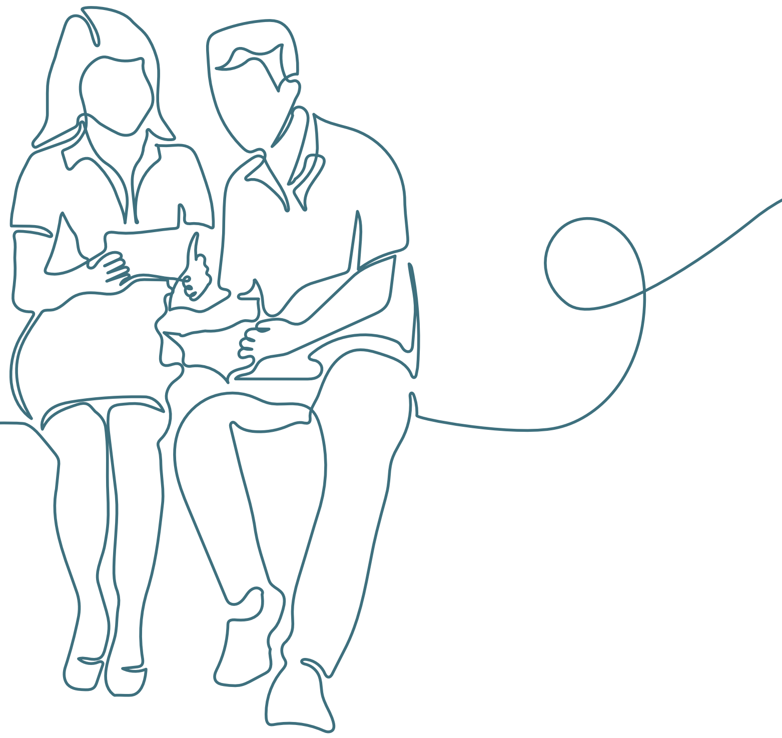
Corporate social responsibility

Colleague Wellbeing

At Smoove our colleague wellbeing is a top priority, and we are committed to creating an environment that promotes diversity, equity and inclusivity. We include people-orientated targets as a discrete pillar of our quarterly objective setting. These objectives include producing specific Smoove management training for those who manage others. As we continue to navigate the new way of working, with colleagues making their own independent decision to work at home or in the office, we have created support initiatives to ensure we maintain a healthy environment for all. We hold quarterly in person Town Hall meetings at our head office to promote engagement and regular check-ins. We continue to offer sessions for mental health promotion through mindfulness sessions and yoga. We have trained Mental Health first aiders, and our colleagues all have access to our employee assistance programme which offers advice and support for concerns our colleagues may wish to discuss with someone outside work. We have established a Values Champion Teams that aim to embed a Smoove culture to enable a feeling of collective participation within our work space. Our Values Champions Teams create events and look to set an annual agenda to ensure all colleagues feel included. We recognise the importance of a diverse workforce that speaks to the range of different customers we have as a business.

Community engagement and charitable activities

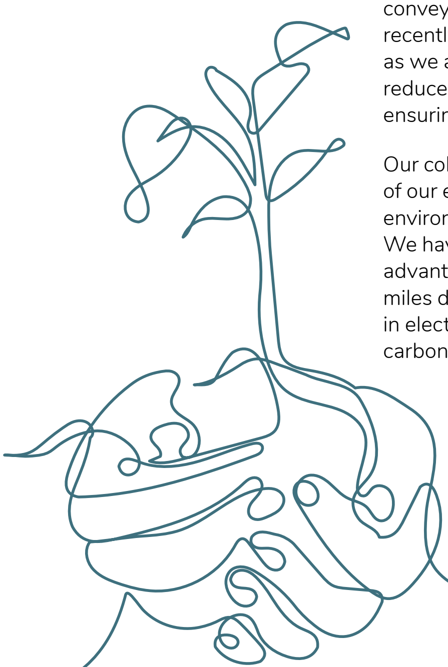
We also take our impact on the local community and society seriously. We offer our colleagues a volunteer day each year which continues to be a popular initiative. If the endeavour needs more time, we also support individuals who want to take their commitment further. For example, one colleague took eight days out to volunteer and drive to Poland to work with charities on the Ukrainian border helping refugees. We continue to match fundraising by colleagues for a charity of their choice, and each year select a charity to support based on colleague feedback, which for this year was Macmillan Cancer Support. We continue to offer work experience placements to students from local schools, so that they can observe different aspects of the business and benefit from an experience that helps them make informed career decisions.



Minimising our impact on the environment

At Smoove, we are committed to reducing our environmental impact through various initiatives. We are a technology business that encourages digitalisation and the reduction of the amount of paper and ink used. This is exemplified through our DigitalMove product, which we estimate saved the printing of 780,000 pages last year by enabling consumers to complete conveyancing forms digitally. We also recently reduced our head office footprint, as we adapt to hybrid working which will reduce our energy consumption as well as ensuring the most efficient use of our space.

Our colleagues continue to take advantage of our electric car leasing scheme as a more environmentally friendly way of travelling. We have 7% of our colleagues taking advantage of the scheme and 17% of the miles driven for work purposes being driven in electric cars. This project has reduced the carbon footprint of our corporate travel.



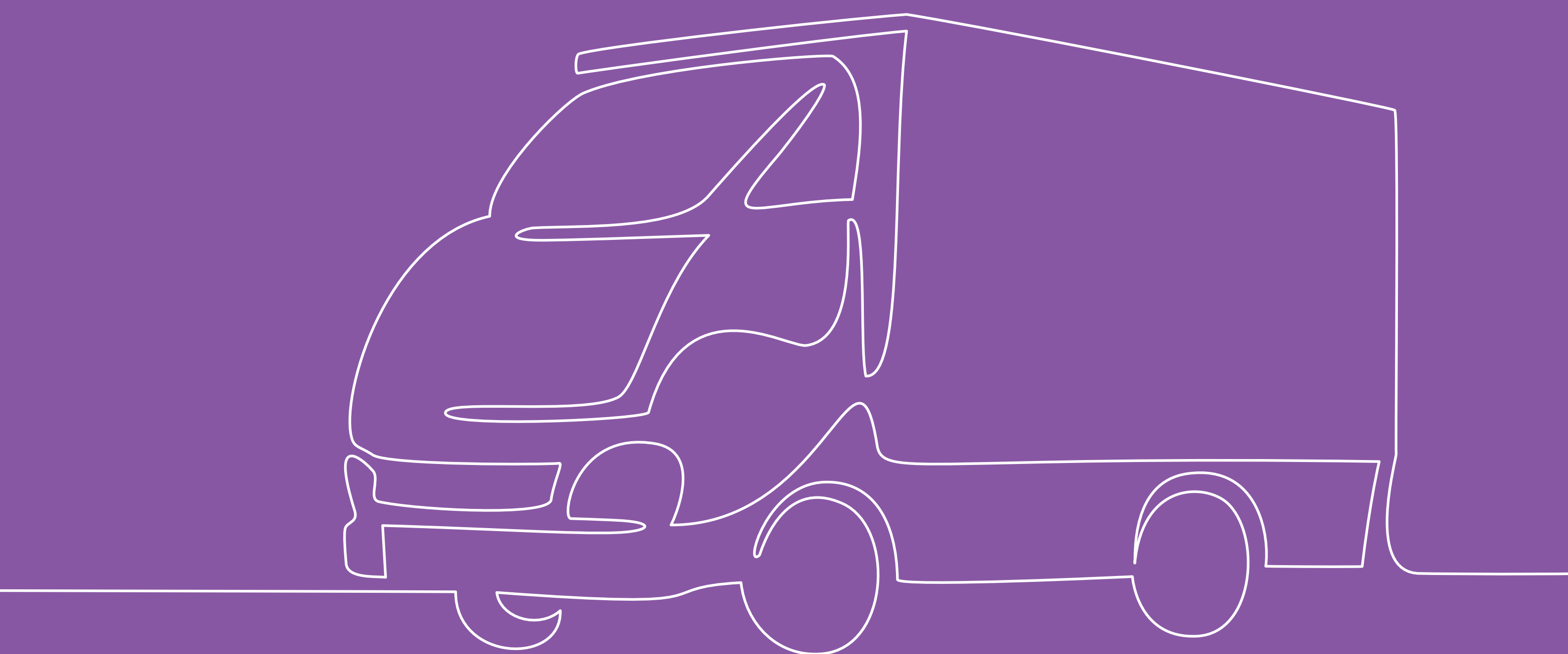
We have a policy for the safe disposal of electronic-waste and other hazardous materials. This covers what has been purchased for colleagues working from home as well as our head office and we regularly monitor waste production. In March 2022 we introduced more plants to purify the air as well as monitoring Indoor Air Quality to ensure a healthy and comfortable work space and avoid “Sick Building Syndrome”. The new system measures temperature, humidity and CO_2 levels. All readings remain well within Health and Safety Executive recommended levels but are monitored to ensure they remain as such to avoid any impact to colleagues wellbeing.

Overall we continue to make progress with our corporate social responsibility initiatives and are committed to regularly reviewing these to see how we can improve.

The Strategic Report was approved by the board on 4 July 2023, and signed by order of the Board by

Michael Cress
Chief Financial Officer

Governance



Board of Directors

Martin Rowland

Chairman

Appointed

Martin joined as Non-Executive Director in November 2018 before becoming Chairman in February 2020. He was previously a Non-Executive Director of the Group between 2011 and 2014. Martin is Chair of the Audit Committee.

Background and Experience

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

Jesper With-Fogstrup

Chief Executive Officer

Appointed

Jesper joined the Company as CEO in January 2021.

Background and Experience

Before joining Smoove plc, Jesper served as Global Head of Digital as a Channel with HSBC Wealth and Personal Banking (WPB). Prior to HSBC, Jesper was Chief Operating Officer with ComparetheMarket.com responsible for scaling the business, product, commercial performance and strategic delivery. Jesper has also held several executive positions in the online travel industry.

Jesper holds an Executive MBA from London Business School.

Committee Memberships

- Remuneration Committee
- Audit Committee
- Nominations Committee
- Chair

See the Directors' Report on page 36

Michael Cress

Chief Financial Officer

Michael joined the Company as CFO in May 2022.

Prior to joining the Company, Michael was the Finance Director of My 1st Years, an online retailer. He previously held senior and executive finance roles with Kelkoo, The Digital Property Group and AOL UK. Michael started his career with Schroder & Co after graduating from Harvard University with an Economics degree.

Elaine Bucknor

C

Independent Non-Executive Director

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

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

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

Oliver Scott

C

Non-Executive Director

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

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

Chairman's introduction to governance

Smoove 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.

Taking this into account, the Board has chosen to comply with the QCA Corporate Governance Code. Below we outline how we have applied each of the principles of the code and how its application supports the Group's medium to long-term success. For information, please see https://hellosmoove.com/investor-relations.

Martin Rowland
Chairman

	Governance principle	Compliant	Summary explanation	Further detail
1	**Establish a strategy and business model which promotes long-term value for shareholders**	✓	The Group strategy is to increase market share and create value through focusing on continual improvement, innovation and quality. The Group's strategy is currently focused on building new lines of business such as Smoove Complete and investing in improvements in eConveyancer to generate increased instruction volumes. This will reduce profitability in the short term but is expected to deliver returns over the longer term by broadening routes to market, developing new revenue streams, and deepening relationships with introducers.	See the Group's business model on page 8 and strategy on page 12.
2	**Seek to understand and meet shareholder needs and expectations**	✓	The Board is mindful that the largest shareholder has a 27.56% shareholding and a board seat. Officers of the Board regularly solicit the views of other shareholders in order to ensure that the views of all shareholders are taken into account. During the year the Group held a capital markets day and an online Q&A for retail investors in order to provide additional detail on the Group's strategy and to better understand investors' views.	See our Section 172 (1) statement on pages 21 and 22.
3	**Take into account wider stakeholder and social responsibilities and their implications for long-term success**	✓	The Group has a range of stakeholders. Making sure that all stakeholders benefit from our business model helps to ensure the long-term viability of the business.	See our Section 172 (1) statement on pages 21 and 22.
4	**Embed effective risk management, considering both opportunities and threats, throughout the organisation**	✓	The Group has an effective risk evaluation and management structure in place.	Risk management and the principal risks and uncertainties affecting the Group are set out on page 20.
5	**Maintain the Board as a well functioning, balanced team led by the Chair**	✓	The Board maintains an effective mix between Executive and Non-Executive Directors and a range of experience and expertise to function effectively.	See our corporate governance report on pages 32 and 33.
6	**Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities**	✓	The Board considers that all of the Board Directors are of sufficient competence and calibre and, together, have the range of skills necessary to run and monitor the Group successfully.	See the Board of Directors' biographies on pages 28 and 29, and our corporate governance report on pages 32 and 33.
7	**Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement**	✓	The Board internally reviews its performance and is continually looking at ways to improve.	See our corporate governance report on pages 32 and 33.

	Governance principle	Compliant	Summary explanation	Further detail
8	**Promote a corporate culture that is based on ethical values and behaviours**	✓	The Board seeks to maintain the highest standards of integrity and probity in the conduct of the Group's operations. These values are enshrined in the written policies and working practices adopted by all employees in the Group. The Board understands that their decisions regarding strategy and risk will impact the corporate culture of the Group and that this in turn will impact the performance of the Group. The Board is aware that the control environment will greatly impact all aspects of the Company and the way that employees behave and perform. The Board believes that sound ethical values and behaviours set out in the company ethics policy are vital to enable the Company to achieve its corporate objectives. 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 and employees as well as regular 'town hall' meetings. The Board also conducts a regular anonymised employee survey to independently identify thoughts and concerns and also to track progress and trends by comparing to prior year responses.	See our corporate social responsibility report on pages 24 and 25.
9	**Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board**	✓	The Board has overall responsibility for promoting the success of the Group. The Executive Directors have day-to-day responsibility for the operational management of the Group's activities. The Non-Executive Directors are responsible for bringing independent and objective judgement to Board decisions.	See our corporate governance report on pages 32 and 33.
10	**Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders**	✓	How the Group and the Board communicates with its shareholders and other stakeholders is outlined above, in particular, under principles 2 and 3. The Annual Report, notice of AGMs and results of previous AGMs can be found on the Group's website.	See our Section 172 (1) statement on pages 21 and 22.

Corporate governance statement

Smoove 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.

Board

The Group's Board is currently comprised of three Non-Executive Directors and two Executive Directors. The Chairman is responsible for the effective management of the Board.

All of the Board Directors are subject to election by shareholders at the first Annual General Meeting after their appointment to the Board and will continue to seek re-election at least once every three years.

The Board considers Elaine Bucknor, Non-Executive Director, and Martin Rowland, Chairman, to be independent. The Board does not consider Oliver Scott as independent but he does provide a different perspective to the Executive Directors and therefore there are sufficient checks and balances within the Board for the size and complexity of the Group.

Elaine Bucknor and Martin Rowland receive their fees through payroll. The fee for Oliver Scott is invoiced by Kestrel Partners LLP and not paid to Mr. Scott directly. Mr. Scott is a partner of Kestrel Partners LLP who are the Company's largest shareholder. None of the non-executive directors participate in any company bonus scheme. Mr. Rowland holds 750,000 share options granted during a prior period. Neither Ms. Bucknor nor Mr. Scott participate in any share incentive plan. The Board has concluded that Mr Rowland's option holding is not sufficient to impede his independence.

Effective 6 March 2023 Mr. Rowland was appointed to the board of Carr's Group Plc as the representative of Harwood Capital LLP. Harwood Capital is Smoove's second largest shareholder holding 12.80% of shares in issue. Mr. Rowland receives no compensation from Harwood Capital, and the Board have concluded that Mr. Rowland's role as representative of Harwood on the board of another company does not affect his independence as a Director of Smoove.

Ten Board meetings are held each year where all Board Directors are expected to attend. The Non-Executive Directors will additionally meet with the Executive Directors on a regular basis. In particular, the Chairman will meet with the CEO at least monthly. The Non-Executive Directors' time commitment to the Group is at least two days per month.

Board Meeting Attendance

Martin Rowland	10/10
Oliver Scott	10/10
Elaine Bucknor	10/10
Jesper With-Fogstrup	10/10
Michael Cress[1]	9/9
John Williams[1]	1/1

1 John Williams resigned as a Director on 3 May 2022. Michael Cress was appointed as a Director on the same date.

Skills and experience

The Board considers that all of the Board Directors are of sufficient competence and calibre and, together, have the range of skills necessary to run and monitor the Group successfully.

The Board regularly reviews the composition of the Board to ensure that it has the necessary breadth and depth of skills to support the ongoing development of the Group. The Directors are able to seek independent training and development to support their roles.

Elaine Bucknor has been on the Board for five years. As a technology company, the Board felt it was important to have a technology specialist as a Non-Executive Director and were delighted that someone with Elaine's background and experience agreed to join. Elaine chairs the Nominations Committee.

Oliver joined the Board in January 2020. He is a partner of Kestrel Partners LLP, the Company's largest shareholder. Oliver has sat on a number of Boards as a Non-Executive Director and brings the perspective of a significant shareholder to the Board table. However, the Board is mindful that shareholders have a range of views and keep this fact to the forefront of their decision-making process. Oliver is Chair of the Remuneration Committee.

Martin re-joined the Board in November 2018 as Non-Executive Director and became Chairman in February 2020. As well as being a qualified accountant Martin has extensive M&A experience and has held a number of Executive and Non-Executive positions. Martin is Chair of the Audit Committee.

Board structure

The Board

The Board has overall responsibility for promoting the success of the Group. The Executive Directors have day-to-day responsibility for the operational management of the Group's activities. The Non-Executive Directors are responsible for bringing independent and objective judgement to Board decisions.

The Board has established Audit, Remuneration and Nominations Committees.

Nominations Committee Report

The Nominations Committee is chaired by Elaine Bucknor and includes Martin Rowland and Oliver Scott. 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.

The Committee considers that Elaine and Martin can be regarded as independent. The Board's composition will be kept under review but the Committee considers that there is sufficient experience, diversity and independence on the Board.

Audit Committee Report

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

The Committee agreed with the areas identified by the external auditors as key audit matters as reported on page 41.

Remuneration Committee report

The Remuneration Committee is chaired by Oliver Scott and includes Martin Rowland and Elaine Bucknor.

It meets at least twice a year and no Director is permitted to participate in discussion or decisions concerning their own remuneration. The Remuneration Committee reviews the performance of the Executive Directors. It sets and reviews the level 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. During the year, the Remuneration Committee considered and approved the Long Term Incentive Plan ("LTIP") described below.

The remuneration of Directors and the share options they hold can be seen below and on the following page. The Executive Directors are primarily rewarded through basic salary, annual bonuses and share options. The bonuses are paid against Group targets. These targets are set at the start of the year and measured after the year is complete. Share options are used to incentivise longer-term profit growth and value creation. The Committee is of the opinion that by using this combination of incentives the Executives are fully aligned with the interests of the shareholders.

Pay reviews for the Executives are conducted annually and the Committee uses external benchmarking reports as an aid.

Directors' remuneration

The following table sets out an analysis of the pre-tax remuneration for the year ended 31 March 2023 for the individual Directors who held office in the Company during the year:

	2023							
	Salary/fees £	Bonuses £	Pension £	Benefits in kind £	Sub Total £	Share-based payment £	Total £	2022 Total £
Andrew Weston[1]	–	–	–	–	–	–	–	74,329
John Williams[2]	**55,700**	**15,850**	**2,710**	–	**74,260**	**(35,691)**	**38,569**	206,025
Michael Cress[3]	**157,083**	–	**7,815**	–	**164,898**	**9,178**	**174,076**	–
Elaine Bucknor	**35,000**	–	**1,925**	–	**36,925**	–	**36,925**	36,925
Martin Rowland	**60,000**	–	**3,300**	–	**63,300**	**35,552**	**98,852**	94,868
Oliver Scott[4]	**35,000**	–	–	–	**35,000**	–	**35,000**	35,000
Jesper With-Fogstrup	**323,750**	**60,000**	**15,563**	**2,686**	**401,999**	**90,328**	**492,327**	420,472
	666,533	**75,850**	**31,313**	**2,686**	**776,382**	**99,367**	**875,749**	867,619

1 Andrew Weston resigned as a Director on 11 May 2021.

2 John Williams resigned as a Director on 3 May 2022.

3 Michael Cress was appointed as a Director on 3 May 2022.

4 The fee for the services of Oliver Scott is paid to Kestrel LLP and not to Mr. Scott directly.

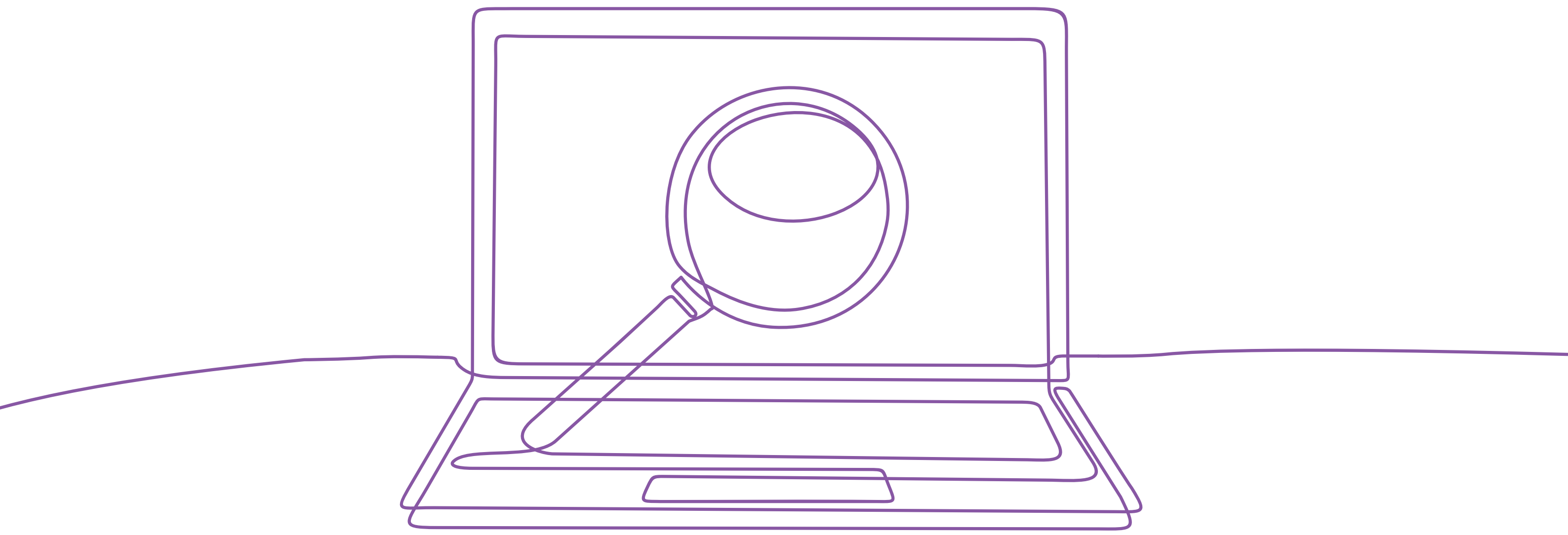
The Group operates a salary sacrifice scheme for pension contributions and the amount sacrificed is included in salary and fees.

Share-based awards

The share-based payment of £99,367 (2022: £66,542) to Directors represents the share-based expense relating to share awards issued in prior and current years. The following comprises share awards held by Directors who held office during the year ended 31 March 2023:

	Awards held at 31 March 2022	Awards granted in period	Awards exercised in period	Awards lapsed in period	Awards held at 31 March 2023	Exercise price (p)	Exercisable from	Exercisable to
John Williams	41,702	–	–	**(41,702)**	–	**76.75**	**21/12/19**	**20/12/26**
John Williams	300,000	–	–	**(300,000)**	–	**53.90**	**14/07/23**	**13/07/30**
Martin Rowland	750,000	–	–	–	**750,000**	**53.90**	**14/07/23**	**13/07/30**
Jesper With-Fogstrup	675,000	–	–	–	**675,000**	**86.00**	**18/02/24**	**17/02/31**
Jesper With-Fogstrup	–	**1,500,000**	–	–	**1,500,000**	**0.40**	**18/01/26**	**17/01/33**
Michael Cress	–	**750,000**	–	–	**750,000**	**0.40**	**18/01/26**	**17/01/33**

During the year the Board adopted share option scheme rules applying to future option grants and a Long Term Incentive Plan ("LTIP"). The Group made awards of 3,400,000 ordinary shares ("Performance Shares") under the LTIP to its two Executive Directors and other senior employees. The vesting of all Performance Share awards is conditional on meeting both a performance condition relating to gross profit and a share price performance condition, both of which are measured three years from the award date. The gross profit condition specifies a target gross profit for the year ended 31 March 2026 of £13,574,000. The definition of gross profit used corresponds with that used in the Group's accounts. Provided that the gross profit condition is met, the share price performance condition specifies that the shares will vest on a straight-line basis if the measured share price is between 55 pence (33% vesting) and 80 pence (100% vesting). If either the gross profit condition is not met or the measured share price is below 55 pence, then the awards will lapse.



Directors' report

The Directors present their report and the financial statements of Smoove plc for the year ended 31 March 2023.

On 7 April 2022 the Parent Company changed its name from ULS Technology plc to Smoove plc as part of a larger rebranding exercise intended to amplify the Group's strategy to simplify and revolutionise the home moving experience.

Principal activity

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

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

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

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

Amity Law Limited provides conveyancing legal services.

Review of business and future developments

The review of the business and future developments is outlined in the Chief Executive's Statement on pages 14 to 16.

Dividends

The Directors have decided not to propose a final dividend. There is no current expectation to pay a dividend while the Group is investing heavily in the development of its future proposition but the Board will keep this policy under review.

Purchase of the Group's shares

In January 2023 the Group returned £3.65 million to shareholders through a tender offer to purchase 9,129,236 shares at an offer price of 40 pence per share and representing 14% of the issued share capital of the Group. A shareholder resolution passed on 11 January 2023 had authorised the purchase of up to 12,500,000 shares for £5,000,000. The actual number of tendered shares was below the maximum authorised by the resolution because some shareholders elected not to tender their full entitlement.

Directors

The Directors of the Company during the current and prior year and their beneficial interest in the ordinary shares and share options of the Company at 31 March 2023 are set out below:

	Ordinary shares		Share incentives	
	2023	**2022**	**2023**	**2022**
Martin Rowland	**60,000**	60,000	**750,000**	750,000
Jesper With-Fogstrup	**25,000**	25,000	**2,175,000**	675,000
Michael Cress	**–**	–	**750,000**	–
John Williams[1]	**48,291**	48,291	**–**	341,702
Andrew Weston[2]	**–**	1,134,725	**–**	–
	133,291	1,268,016	**3,675,000**	1,766,702

1 John Williams resigned as a Director on 3 May 2022.

2 Andrew Weston resigned as a Director on 11 May 2021.

In addition to the above table, Oliver Scott holds a beneficial interest in the holding disclosed for Kestrel Partners LLP below.

Employee involvement

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

The Group operates an EMI share option scheme under which options have been issued to and are held by a significant number of employees. The Group also operates a tax efficient Share Incentive Plan in which all staff are eligible to participate.

Substantial shareholders

The Company has been notified of the following interests of 3% or more in its issued share capital as at 31 March 2023.

Shareholder	No. of shares	%
Kestrel Partners LLP	**15,711,095**	**27.56**
Harwood Capital LLP	**7,296,970**	**12.80**
Schroder Investment Management Limited	**5,519,237**	**9.68**
Unicorn Asset Management Limited	**3,750,000**	**6.58**
Perpetual Limited	**3,667,722**	**6.43**
Herald Investment Management Limited	**3,552,560**	**6.23**
River and Mercantile Asset Management LLP	**2,478,290**	**4.35**
Interactive Investor	**1,851,269**	**3.25**
Hargreaves Landsdown Asset Management Limited	**1,745,788**	**3.06**

Research and development

The Group develops software products in-house. These are capitalised in line with the accounting policies shown on page 52.

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 Smoove and these risks are contained in pages 74 to 76 of the financial statements.

Share dealing code

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

Website publication

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

Disclosure of information to auditors

The Directors confirm that, in so far as each Director is aware:

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

Directors' responsibilities statement

The Directors are responsible for preparing the Strategic Report, Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have to prepare the consolidated financial statements in accordance with UK adopted International accounting standards. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group and the Company for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market ("AIM").

Directors' report continued

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with UK adopted International Accounting Standards subject to any material departures disclosed and explained in the financial statements;
- state whether the Parent Company accounts have been prepared in accordance with United Kingdom Generally Accepted Accounting Practices; 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

BDO LLP are the appointed auditor of Smoove 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:

Jesper With-Fogstrup
Chief Executive Officer
Smoove plc

Michael Cress
Chief Financial Officer
Smoove plc
4 July 2023

Company number: 07466574

Independent auditor's report to the members of Smoove plc

Opinion on the 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 2023 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- 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.

We have audited the financial statements of Smoove Plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 March 2023 which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated statement of cash flows, Parent Company balance sheet, Parent Company statements of changes in equity and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK adopted international accounting standards. 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, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included.

We obtained an understanding of the business model, objectives, strategies and related business risk. We also assessed the Group and Parent Company's financial performance and forecasting and budgeting processes.

We obtained the Director's assessment of the ability of the Group and Parent Company to continue as a going concern for at least 12 months from the date of the annual report and:

- challenged the Directors' methodology, including the relevance and reliability of underlying data, used to make the assessment (being at least 12 months cash flow forecast data from the date of signing of the financial statements).
- assessed the reasonableness of the assumptions applied and downside stress case sensitivities using our knowledge of the business.
- reviewed the underlying forecast model and assessed the Directors' historical forecast accuracy, including comparing the post balance sheet period actuals against forecast.
- evaluated the Directors' plans for future actions in relation to the going concern assessment including whether such plans are feasible in the circumstances and approved by the board.
- considered the adequacy and appropriateness of the going concern disclosures in the financial statements against the information obtained throughout the audit.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Independent auditor's report to the members of Smoove plc continued

Overview

Coverage	96% (2022: 99%) of Group loss before tax 100% (2022: 99%) of Group revenue 100% (2022: 100%) of Group total assets		
		2023	**2022**
Key audit matters	Revenue recognition	✓	✓
	Carrying value of goodwill		✓
	The carrying value of goodwill is no longer considered to be a key audit matter due to the level of headroom in the recoverable amount as disclosed in note 10		
Materiality	Group financial statements as a whole £250,000 (2022: £190,000) based on 1.25% (2022: 1%) of revenue.		

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

The group operates through a number of legal entities, which form reporting components all of which are incorporated in the UK. United Legal Services Limited is the only entity that was considered to be significant. The significant component was subject to a full scope audit which was completed by Group audit team. The parent company has been subject to full scope audit procedures for its statutory audit by the Group Audit Team. Non-significant components were subject to either specified procedures or desktop review procedures. All audit work was carried out by the Group Audit team.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter		How the scope of our audit addressed the key audit matter
Revenue Recognition The accounting policy for revenue is disclosed in the notes to the consolidated financial statements.	There is a risk that revenue may not be recognised in the correct period with inappropriate cut off being applied around the year end, or the property and ID search elements of sales made pre year end not being appropriately deferred. This risk of inappropriate deferral arises from the risk that management either do not correctly identify or value (based on the appropriate transaction price) the revenue related to future services and therefore do not accurately defer the related revenue. We therefore identified revenue recognition and the related disclosures as a significant risk and a key audit matter.	Our audit procedures included: Identifying the Group's revenue streams and determining whether the related revenue recognition policy was in accordance with IFRS 15. We reviewed management's assessment of IFRS 15 and considered the application in line with our revenue sample testing. Identifying the key controls within both the accounting system and CRM ("customer relationship management") systems, and testing their operating effectiveness. Reconciling the Group's CRM systems to the accounting system and investigating any reconciling items arising to provide evidence of the completeness and existence of revenue transactions recorded in the accounting system. Selecting a sample of revenue transactions from the accounting system and agreeing through to the CRM system, completion date, invoice, and bank payments, to check that revenue was accurately recorded within the accounting system in the correct accounting period based on case completion date. Selecting a sample of sales recognised pre and post year end and agreeing case completion dates to those agreed by customers to determine whether the sale had been recognised in the correct period. Selecting samples from both the invoice listing and deferred revenue listing, recalculating and obtaining supporting documentation for the revenue deferred based on the case completion date. Reviewing the disclosures relating to revenue to check they were complete, accurate and in accordance with the requirements of the applicable accounting standards. **Key observations:** We considered the recognition of revenue and deferred revenue and the related financial statement disclosures to be appropriate.

Independent auditor's report to the members of Smoove plc continued

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		Parent company financial statement	
	2023	2022	2023	2022
Materiality	£250,000	£190,000	£130,000	£180,000
Basis for determining materiality	1.25% of revenue	1% of revenue	0.5% of total assets	0.6% of total assets
Rationale for the benchmark applied	Revenue is a key performance indicator for the users of the financial statements. We considered that revenue provided the most appropriate measure on which to base materiality.		Total assets were considered the most appropriate benchmark as the parent company does not trade.	
Performance materiality	£187,000	£143,000	£97,000	£136,000
Basis for determining performance materiality	75% of materiality	75% of materiality	75% of materiality	75% of materiality
Rationale for the percentage applied for performance materiality	In setting the level of performance materiality, we considered a number of factors including the expected total value of known and likely misstatements (based on past experience and other factors) and management's attitude towards proposed adjustments.			

Component materiality

For the purposes of our Group audit opinion, we set materiality for the significant component of the Group based on a percentage of 95% (2022: 95%) of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality is set at £237,500 (2022: £184,000). In the audit of each component, we further applied performance materiality levels of 75% (2022: 75%) of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £12,500 (2022: £9,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report & Accounts other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	In our opinion, based on the work undertaken in the course of the audit: • the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and • the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which 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 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.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent auditor's report to the members of Smoove plc continued

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Non-compliance with laws and regulations

Based on:

- our understanding of the legal and regulatory framework applicable to the Group and industry in which it operates, through discussion with management and audit committee and our knowledge of the industry; and
- enquiring of management and the audit committee, including obtaining and reviewing supporting documentation, concerning the Group's policies and procedures relating to identifying, evaluation and complying with laws and regulations and whether they are aware of instances of non-compliance.

We considered the significant laws and regulations to be the applicable accounting framework, UK tax legislation, AIM Listing Rules and UK Companies Act.

The Group is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be the health and safety legislation.

Our procedures in respect of the above included:

- reading minutes from board meetings of those charged with governance to identify any instances of non-compliance with laws and regulations;
- review of correspondence with regulatory and tax authorities for any instances of non-compliance with laws and regulations;
- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations;
- involvement of tax specialists in the audit; and
- review of legal expenditure accounts to understand the nature of expenditure incurred.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- enquiry with management and those charged with governance also considered Audit Committee regarding any known or suspected instances of fraud;
- obtaining an understanding of the Group's policies and procedures relating to:
  - detecting and responding to the risks of fraud; and
  - internal controls established to mitigate risks related to fraud;
- review of minutes of meetings of those charged with governance for any known or suspected instances of fraud;
- considering our knowledge of the nature of the industry, control environment and business performance including the design of the Group remuneration policies, key drivers for Directors' remuneration and performance targets; and
- discussing among the engagement team including the component audit team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, we identified potential for fraud in revenue recognition, specifically in relation to revenue existence, as well as the potential for management override of controls.

Based on our risk assessment, we considered the areas most susceptible to fraud to be revenue, capitalised development costs and manual journal entries.

Our procedures in respect of the above included:

- Performing a detailed review of the Group's year-end adjusting entries, assessing whether the judgements made in making accounting estimates are indicative of potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business;
- assessing significant estimates made by management for bias considered to be impairment reviews and the assumptions taken in their preparation and Useful lives of depreciable assets; and
- in addressing the risk for fraud in revenue recognition, testing the appropriateness of the revenue recognition policies and the application of these policies and performing specific procedures over the existence and cut-off of revenue (further details of our approach to revenue recognition are available within the key audit matters section of our audit report).

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Christopher Pooles

(Senior Statutory Auditor)

For and on behalf of BDO LLP,
Statutory Auditor

Reading, United Kingdom

4 July 2023

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Financial Statements

Consolidated Income Statement

for the year ended 31 March 2023

	Notes	2023 £000's	2022 £000's
Revenue	1	**20,595**	19,168
Cost of sales		**(12,777)**	(11,407)
Gross profit		**7,818**	7,761
Exceptional administrative expenses	3	**(222)**	–
Other administrative expenses		**(13,627)**	(12,577)
Administrative expenses		**(13,849)**	(12,577)
Operating loss before exceptional expenses		**(5,809)**	(4,816)
Exceptional administrative expenses	3	**(222)**	–
Operating loss	2	**(6,031)**	(4,816)
Finance income	5	**217**	25
Finance costs	6	**(28)**	(102)
Share of results of associate	12	**58**	31
Impairment of associate	12	**–**	(503)
Loss before tax		**(5,784)**	(5,365)
Tax credit	7	**33**	248
Loss for the financial year attributable to the Group's equity shareholders		**(5,751)**	(5,117)
Loss per share from operations			
Basic loss per share (£)	8	**(0.0910)**	(0.0789)
Diluted loss per share (£)	8	**(0.0910)**	(0.0789)

The notes to these financial statements on pages 52 to 78 form an integral part of these financial statements.

Consolidated statement of comprehensive income

for the year ended 31 March 2023

	2023 £000's	2022 £000's
(Loss) / profit for the financial year	**(5,751)**	(5,117)
Total comprehensive loss for the financial year attributable to the owners of the parent	**(5,751)**	(5,117)

The notes to these financial statements on pages 52 to 78 form an integral part of these financial statements.

Consolidated Balance Sheet

as at 31 March 2023

	Notes	2023 £000's	2022 £000's
Assets			
Non-current assets			
Intangible assets	13	**1,596**	1,432
Goodwill	10	**4,745**	4,745
Investment in associates	12	**213**	155
Property, plant and equipment	14	**1,067**	1,572
Long-term receivables	15	**50**	100
Prepayments	15	**73**	94
		7,744	8,098
Current assets			
Trade and other receivables	15	**1,704**	1,545
Current tax receivable	7	**295**	291
Cash and cash equivalents	16	**10,131**	20,027
		12,130	21,863
Total assets		**19,874**	29,961
Equity and liabilities			
Capital and reserves attributable to the Group's equity shareholders			
Share capital	17	**228**	259
EBT reserve		**(808)**	(298)
Share premium		**4,609**	4,609
Capital redemption reserve		**144**	113
Share-based payment reserve		**584**	474
Retained earnings		**10,752**	19,645
Total equity		**15,509**	24,802
Non-current liabilities			
Lease liabilities	24	**633**	1,012
Deferred taxation	7	**65**	79
		698	1,091
Current liabilities			
Trade and other payables	19	**3,551**	3,918
Lease liabilities	24	**116**	150
		3,667	4,068
Total liabilities		**4,365**	5,159
Total equity and liabilities		**19,874**	29,961

The notes to these financial statements on pages 52 to 78 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 4 July 2023 and were signed on its behalf by

Jesper With-Fogstrup
Chief Executive Officer
Smoove plc

Michael Cress
Chief Financial Officer
Smoove plc

Company number: 07466574

Consolidated statement of changes in equity

for the year ended 31 March 2023

	Treasury Reserve £000's	Share capital £000's	EBT reserve £000's	Share premium £000's	Capital redemption reserve £000's	Share-based payments reserve £000's	Retained earnings £000's	Total Equity £000's
Balance at 1 April 2021	–	259	(397)	4,609	113	418	24,913	29,915
Loss for the year	–	–	–	–	–	–	(5,117)	(5,117)
Total comprehensive loss	–	–	–	–	–	–	(5,117)	(5,117)
Purchase of shares by EBT	–	–	(345)	–	–	–	–	(345)
Exercise of options	–	–	444	–	–	(52)	(151)	241
Share-based payments	–	–	–	–	–	108	–	108
Total transactions with owners	–	–	99	–	–	56	(151)	4
Balance at 31 March 2022	–	259	(298)	4,609	113	474	19,645	24,802
Balance at 1 April 2022	**–**	**259**	**(298)**	**4,609**	**113**	**474**	**19,645**	**24,802**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(5,751)**	**(5,751)**
Total comprehensive loss	**–**	**–**	**–**	**–**	**–**	**–**	**(5,751)**	**(5,751)**
Purchase of shares by EBT	**510**	**–**	**(510)**	**–**	**–**	**–**	**–**	**–**
Share-based payments	**–**	**–**	**–**	**–**	**–**	**110**	**–**	**110**
Repurchase of shares	**(3,652)**	**–**	**–**	**–**	**–**	**–**	**–**	**(3,652)**
Cancellation of shares	**3,142**	**(31)**	**–**	**–**	**31**	**–**	**(3,142)**	**–**
Total transactions with owners	**–**	**(31)**	**(510)**	**–**	**31**	**110**	**(3,142)**	**(3,542)**
Balance at 31 March 2023	**–**	**228**	**(808)**	**4,609**	**144**	**584**	**10,752**	**15,509**

The notes to these financial statements on pages 52 to 78 form an integral part of these financial statements.

Consolidated statement of cash flows

for the year ended 31 March 2023

	Notes	2023 £000's	2022 £000's
Cash flow from operating activities			
Loss before tax		**(5,784)**	(5,365)
Finance income	5	**(217)**	(25)
Finance costs	6	**28**	102
Loss on disposal of plant and equipment		**24**	63
Share of profit from associate	12	**(58)**	(31)
Impairment of investment in associate		**–**	503
Amortisation	13	**582**	683
Depreciation	14	**298**	329
Disposal of right of use asset		**(15)**	–
Share-based payments	18	**110**	108
Tax received / (paid)		**16**	(23)
		(5,016)	(3,656)
Changes in working capital			
(Increase) / Decrease in trade and other receivables		**(139)**	14
(Decrease) / Increase in trade and other payables		**(268)**	413
Cash used in operating activities		**(5,423)**	(3,229)
Cash flow from investing activities			
Purchase of intangible software assets	13	**(746)**	(316)
Purchase of property, plant and equipment	14	**(76)**	(97)
Acquisition of subsidiary (net of cash acquired)	11	**(100)**	(135)
Interest received	5	**217**	25
Net cash used in investing activities		**(705)**	(523)
Cash flow from financing activities			
Lease payments	24	**(166)**	(192)
Repayment received in respect of loan to associate		**50**	100
Shares traded by EBT		**–**	(105)
Share buyback		**(3,652)**	–
Net cash used in financing activities		**(3,768)**	(197)
Net decrease in cash and cash equivalents		**(9,896)**	(3,949)
Cash and cash equivalents at beginning of financial year		**20,027**	23,976
Cash and cash equivalents at end of financial year		**10,131**	20,027

The notes to these financial statements on pages 52 to 78 form an integral part of these financial statements.

Notes to the consolidated financial statements

Principal accounting policies

Basis of preparation

The Consolidated Financial Statements of Smoove plc and its subsidiaries (together, 'the Group') have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the UK, 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 ongoing process of review and endorsement by the United Kingdom Endorsement Board. These accounting policies comply with each IFRS that is mandatory for accounting periods ending on 31 March 2023.

The financial statements have been prepared under the historical cost convention except for the revaluation of certain assets to fair value as explained in the accounting policies below. The principal accounting policies set out below have been consistently applied to all periods presented.

Going Concern

In determining the appropriate basis of preparation of the financial statements, the Directors are required to consider whether the Group and Parent Company can continue in operational existence for the foreseeable future. Management have prepared and the Board of Directors have approved cash flow forecasts for the Group for a period including 12 months from the date of signing of these financial statements. In doing so the Directors have considered existing commitments together with the financial resources available to the Group.

The housing market experienced significant volatility during the year. Transactional and remortgage volumes contracted sharply during Q3 in response to the government's minibudget but recovered significantly in Q4. The Group had cash balances of £10.1 million and no borrowings at the end of the period. The Group returned £3.65 million in capital to shareholders during the period via a tender offer for the repurchase of purchase of shares. The Board considered a range of forecast scenarios as part its deliberations regarding the tender offer.

The Board looks at the sensitivity of changes in various profit and cash drivers in its business plan to determine the robustness of its cash adequacy. Reductions in margin and/or transaction volumes are tested and the Directors are confident that the Group retains sufficient cash to cope with a prolonged period of reduced revenues.

As referred to in note 30, Subsequent Events, at the date of signing of the financial statements, the Group was in discussions with PEXA Group Ltd. ("PEXA"), which could lead to a cash offer for the entire share capital of the company. There can be no certainty that the discussions will lead to a successful offer for the company. In the event that the discussions do lead to an offer that is approved by shareholders, the Directors have concluded that it is highly likely that PEXA would manage the Group in a manner that is consistent with continuing as a going concern. This conclusion is supported by the underlying rationale of the potential transaction and consideration of publicly available information regarding PEXA.

The cash flow forecasts prepared show that the Group and Parent Company can continue to operate without borrowings and maintaining substantial cash reserves through the period including 12 months from the date of signing of these financial statements.

As a result of the above, the Directors concluded that there are no material uncertainties that lead to significant doubt upon the Parent Company's and Group's ability to continue as a going concern and therefore continue to adopt the going concern basis of accounting in preparing these financial statements.

Basis of consolidation

The Consolidated Financial Statements incorporate the results of Smoove 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 Consolidated Financial Statements consolidate those of the Parent Company and all of its subsidiaries as of 31 March 2023. All subsidiaries have a reporting date of 31 March.

The Group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date except in relation to leases, where the lease liability is initially measured at the present value of future lease payments using the Group's incremental borrowing rate, and the right of use asset measured at the same value with adjustment for favourable or unfavourable lease terms.

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

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

Acquisition-related costs are expensed as incurred.

Interest in associates

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

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

Employee benefit trust

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

Revenue recognition

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

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

Revenue from a contract to provide services which are completed at an identifiable point in time is recognised when the performance obligation is met, and when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

Revenue is recognised on completion of the legal services. For a conveyancing transaction, this will be on completion of the property transaction and if the transaction falls through prior to completion no fees will be payable by the consumer to the conveyancer or by the conveyancer (customer) to the Company or by the Company to the introducer (supplier).

The proportion of the fee that the Company receives on completion of a conveyancing transaction that is remitted to a third party (introducer), such as a mortgage broker or intermediary, is recognised as a cost of sale. This is because the Group bears most of the credit risk, delivers the service and sets the pricing.

Notes to the consolidated financial statements continued

Principal accounting policies continued

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 administrative expenses

Exceptional administrative expenses are non-recurring in nature or of a size sufficient to merit separate disclosure. 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 or 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;
- the ability to measure reliably the expenditure attributable to the intangible asset during its development; and
- 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 years

Brand names and customer and introducer relationships

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

Amortisation is calculated so as to write off the cost of an asset on a straight-line basis, net of any residual value, over the estimated useful life of that asset as follows:

- customer and introducer relationships – 10 to 12 years
- brand names – 10 years
- acquired technology platform – 9 years

Property, plant and equipment

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

Depreciation is provided on all property, plant and equipment and is calculated on a straight-line basis as follows:

- leasehold improvements – Over the remaining life of the lease
- computer equipment – 25% to 33% on cost
- fixtures and fittings – 25% on cost

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

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

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

Impairment of non-current assets including goodwill

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

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

At each 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. For further details of the impairment reviews conducted see note 10.

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

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

Notes to the consolidated financial statements continued

Principal accounting policies continued

Impairment of non-current assets including goodwill continued

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

Cash and cash equivalents

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

Financial instruments

Recognition and derecognition

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

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

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

Classification and initial measurement of financial assets

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

Financial assets are classified into the following categories:

- amortised cost; or
- fair value through profit or loss (FVTPL); or
- fair value through other comprehensive income (FVOCI).

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

The classification is determined by both:

- the entity's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

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

Subsequent measurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

Financial assets at fair value through other comprehensive income (FVOCI)

The Company accounts for financial assets at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective it is 'hold to collect' the associated cash flows and sell; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

Impairment of financial assets

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

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

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1'); and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

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

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

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

Trade and other receivables and contract assets

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

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

Classification and measurement of financial liabilities

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

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

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

Notes to the consolidated financial statements continued

Principal accounting policies continued

Classification and measurement of financial liabilities continued

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

Current taxation

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

Deferred taxation

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

Deferred tax liabilities are provided in full.

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

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

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

Employment benefits

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

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

Leasing

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

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

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

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

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

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

On the balance sheet, right-of-use assets have been included in property, plant and equipment and lease liabilities are separately shown on the face of the balance sheet.

Equity and reserves

Equity and reserves comprise the following:

- 'Share capital' represents amounts subscribed for shares at nominal value.
- 'EBT reserve' represents cost of shares bought and sold through the Employee Benefit Trust.
- 'Share premium' represents amounts subscribed for share capital, net of issue costs, in excess of nominal value.
- 'Capital redemption reserve' represents the nominal value of re-purchased and cancelled share capital.
- 'Share-based payment reserve' represents the accumulated value of share-based payments expensed in profit or loss less charge in relation to exercised options.
- '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 is cash settled.

Where employees are rewarded using share-based payments, the fair value of employees' services is determined indirectly by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date using the Black-Scholes model for awards issued in prior years and either a Monte Carlo simulation or Binomial model for awards granted in 2023.

All share-based remuneration is ultimately recognised as an expense in profit or loss with a corresponding credit to share-based payment reserve. The expense is allocated over the vesting period. 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. Alternatively share options may be exercised via shares held by the EBT.

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.

Notes to the consolidated financial statements continued

Principal accounting policies continued

New and amended International Financial Reporting Standards adopted by the Group

New standards and amendments to standards or interpretations which were effective for the first time this year and applicable to the Group are as follows:

New/Revised International Financial Reporting Standards		Effective date: annual periods beginning on or after:	UK adopted	Impact on Group
IFRS 3	**Reference to the Conceptual Framework** Amendments to IFRS 3 Business Combinations	1 January 2022	Yes	Immaterial
IAS 16	**Property, plant and equipment: proceeds before intended use** Amendments to IAS 16 Property, Plant and Equipment	1 January 2022	Yes	Immaterial
IAS 37	**Onerous contracts – cost of fulfilling a contract** Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets	1 January 2022	Yes	Immaterial
IFRS 1, IFRS 9, IAS 41	**Annual Improvements to IFRS Standards 2018-2020** Amendments to IFRS 1, IFRS 9 and IAS 41	1 January 2022	Yes	Immaterial

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:	UK adopted	Impact on Group
IAS 1	**Disclosure of accounting policies** Amendments to IAS 1	1 January 2023	No	Immaterial
IAS 8	**Definition of Accounting Estimates** Amendments to IAS 8	1 January 2023	Yes	Immaterial
IAS 12	**Deferred tax relating to assets and liabilities arising from a single transaction** Amendments to IAS 12	1 January 2023	Yes	Immaterial
IAS 1	**Classification of Liabilities as Current or Non-current** Amendments to IAS 1	1 January 2024	No	Immaterial

Critical accounting judgements and key sources of estimation uncertainty

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

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

Estimates

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

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. Further detail is provided in note 13.

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. Depreciation rates are shown in the accounting policy for property, plant and equipment.

Judgements

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

Capitalisation of development expenditure

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

Investment in Associates

In the year ended 31 March 2022 an impairment charge of £503,000 related to the Group's investment in Homeowners Alliance was recognised. The impairment judgement relies on an estimation of future cash flows of the investment discounted to its present value using a discount rate of 12.6%. The judgement also applies a minority discount of 40% reflecting the Group's lack of majority control of the investment. An impairment review for the year ended March 2023 indicated that no further impairment of the investment is required. The impairment review methodology was similar to the review conducted in the previous year but used a higher discount rate of 13.6%. Further detail is provided in note 12.

Intangible assets arising from business combination

Judgement has been applied concerning the identification of intangible assets arising from the acquisition of Amity Law Limited in the year ended 31 March 2022. The value of consideration paid on the acquisition, in excess of the net assets acquired, has been allocated entirely to goodwill. Furthermore, goodwill arising from the acquisition of Amity has been included within the Core CGU and therefore assessed within the impairment review of the Core CGU. This is because the value that Amity adds to the Group's product development capabilities cannot be segregated.

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 of similar services which makes up the Group's Comparison Services segment represents more than 95% of the total business. Additionally, the Board reviews Group consolidated numbers when making strategic decisions and, as such, the Group considers that it has one reportable operating segment. All sales are made in the UK.

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

	2023 £000's	2022 £000's
Customer 1	2,477	4,079
Customer 2	4,100	2,030

2. Operating loss

Operating loss is stated after charging:	2023 £000's	2022 £000's
Fees payable to the Group's auditors for the audit of the annual financial statements	**90**	60
Fees payable to the Group's auditors and its associates for other services to the Group:		
– Audit of the accounts of subsidiaries	**73**	65
– Non-audit services	**–**	10
Amortisation	**582**	683
Depreciation	**298**	329
Share-based payments expense	**110**	108
Exceptional administrative expenses	**222**	–
Development expenditure not capitalised	**989**	848

3. Exceptional administrative expenses

	2023 £000's	2022 £000's
Loss on disposal of right of use asset	**46**	–
Share buyback costs	**176**	–
	222	–

During the year the Group surrendered the lease on premises which had been accounted for under IFRS 16 – Leases. The disposal of the right of use asset and the corresponding lease liability, which had been recognised over the full life of the lease, has been classified as exceptional due to the uncommon nature of the event.

During the year the Group repurchased 9,129,236 shares accounting for 14% of the issued share capital through a tender offer that closed on 9 January 2023. The costs in relation to the Tender Offer (share buyback costs) have been classified as exceptional due to their non-recurring nature.

4. Directors and employees

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

	2023 £000's	2022 £000's
Staff costs		
Wages and salaries	**7,317**	6,538
Social security costs	**929**	655
Pension costs	**830**	578
	9,076	7,771

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

	2023 Number	2022 Number
By activity:		
Production	**58**	60
Distribution	**33**	34
Administrative	**38**	30
Management	**11**	10
	140	134

	2023 £000's	2022 £000's
Remuneration of Directors		
Emoluments for qualifying services	**844**	833
Pension contributions	**31**	35
Social security costs	**86**	84
	961	952

The emoluments shown above (and in the following table for the remuneration of key management) include amounts for share-based payments charges but not for the actual gain on exercise. During the period no share options were exercised and therefore no gain was realised (2022: £86,000). This amount applies to the table below also.

A breakdown of the emoluments for Directors can be found in the Directors' Remuneration Report on page 34 where the highest paid Director can also be identified.

Key management personnel are identified as the Executive Directors.

	2023 £000's	2022 £000's
Remuneration of key management		
Emoluments for qualifying services	**679**	671
Pension contributions	**26**	30
Social security costs	**76**	74
	781	775

Payments of pensions contributions have been made on behalf of Directors (see page 34).

Notes to the consolidated financial statements continued

5. Finance income

	2023 £000's	2022 £000's
Bank interest	**150**	25
Other interest and finance income	**67**	–
	217	25

6. Finance costs

	2023 £000's	2022 £000's
Lease interest	**28**	31
Other interest and finance costs	**–**	71
	28	102

7. Taxation

Analysis of credit in year	2023 £000's	2022 £000's
Current tax		
United Kingdom		
UK corporation tax adjustment in respect of prior year	**(20)**	(41)
Deferred tax		
United Kingdom		
Origination and reversal of temporary differences	**(13)**	(207)
Corporation tax credit	**(33)**	(248)

The differences are explained as follows:

	2023 £000's	2022 £000's
(Loss) before tax	**(5,784)**	(5,365)
UK corporation tax rate	**19%**	19%
Expected tax (credit)	**(1,099)**	(1,019)
Adjustments relating to prior year	**(20)**	(41)
Movement in deferred tax not recognised	**1,002**	617
Remeasurement of deferred tax for changes in tax rates	**47**	–
Adjustment for non-deductible expenses		
– Expenses not deductible for tax purposes	**77**	143
– Fixed asset temporary differences	**(40)**	52
Income tax (credit)	**(33)**	(248)

Deferred tax

	2023 £000's	2022 £000's
Deferred tax liabilities at applicable rate for the period of 19%:		
Opening balance at 1 April	**79**	280
– Property, plant and equipment and capitalised development spend temporary differences	**(69)**	(21)
– Deferred tax recognised on acquisition of Legal-Eye	**(14)**	(26)
– Deferred tax on share options	**26**	32
– Acquisition of subsidiary	**–**	6
– Utilisation of tax losses	**43**	(192)
Deferred tax liabilities – closing balance at 31 March	**65**	79

	2023 £000's	2022 £000's
Deferred tax liabilities at period end:		
Property, plant and equipment and capitalised development spend temporary differences	**149**	218
Deferred tax recognised on acquisition of Legal-Eye	**65**	79
Deferred tax on share options	**–**	(26)
Tax losses	**(149)**	(192)
Deferred tax liabilities – closing balance at 31 March	**65**	79

A potential deferred tax asset of £2,400,000 (2022: £916,000) in respect of tax losses carried forward has not been recognised due to uncertainty over the availability of taxable profits in future chargeable accounting periods. The unrecognised deferred tax asset in respect of tax losses as at 31 March 2023 has been measured at 25%.

The future tax rate has not been applied to the deferred tax liabilities shown above on the basis the effect of applying the future tax rate is not material.

8. Loss per share

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

Basic loss per share

	2023 £	2022 £
Total loss per share	**(0.0910)**	(0.0789)
Total diluted loss per share	**(0.0910)**	(0.0789)

The losses used in the calculation of basic loss per share were as follows:

	2023 £000's	2022 £000's
Loss used in the calculation of total basic and diluted loss per share	**(5,751)**	(5,117)

Notes to the consolidated financial statements continued

8. Loss per share continued

The weighted average number of ordinary shares used in all of the calculations of basic loss per share were as follows:

Number of shares	2023 Number	2022 Number
Weighted average number of ordinary shares for the purposes of basic loss per share	**63,186,426**	64,871,276

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

Number of shares	2023 Number	2022 Number
Dilutive (potential dilutive) effect of share options	**3,712,985**	4,149,182
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**66,899,411**	69,020,458

As the Group reported a loss (2022: loss), outstanding share options do not further dilute the loss per share in any period presented so the diluted loss per share is the same as the loss per share (2022: loss per share).

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 2023	2022
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%
Amity Law Limited	Solicitors	Ordinary	England & Wales	**100%**	100%
Hello Smoove Limited	Dormant	Ordinary	England & Wales	**100%**	100%

The registered office of each of the subsidiaries (except for Amity Law Limited) is the same as the registered office of the parent company: Masters Court, Church Road, Thame, OX9 3FA. The registered office of Amity Law Limited is The Loweswater Suite, Second Floor Paragon House, Paragon Business Park, Chorley New Road, Horwich, Bolton, Lancashire, United Kingdom, BL6 6HG.

10. Goodwill

	2023 £000's	2022 £000's
Opening value at 1 April	**4,745**	4,524
Purchase of Amity	**–**	221
Closing value at 31 March	**4,745**	4,745

Goodwill split by CGU is as follows:

	2023 £000's	2022 £000's
Core	**3,518**	3,518
Legal-Eye	**1,227**	1,227
	4,745	4,745

The key assumptions in the performance of impairment reviews related to the projection period, the growth rate applied subsequent to this period, and the discount rate applied to projected cash flows to determine a value in use.

For Core, the recoverable amounts of intangible assets and goodwill was determined using value-in-use calculations, based on cash flow projections from a three-year forecast. A three-year period has been used to properly reflect a planned investment period followed by profitable growth. Goodwill arising from the acquisition of Amity has been included within the Core CGU and therefore assessed within the impairment review of the Core CGU. This is because the value that Amity adds to the Group's product development capabilities cannot be separately segregated.

For the Core GGU goodwill, the recoverable amount exceeds its holding value by £14.9m. No reasonably plausible increase in discount rate or reduction in growth rate would give rise to an impairment of goodwill.

For Legal-Eye, the recoverable amounts of intangible assets and goodwill was determined using value-in-use calculations, based on cash flow projections from a three-year forecast. Its recoverable amount exceeds its holding value by £500,000. A 1% increase or decrease in the discount rate used would give a range in the excess of recoverable amount over holding value of £363,000 to £663,000. The recoverable amount would be equal to the holding amount if the discount rate rose by 4.7% or the growth rate used to extrapolate cash flows fell by 6.5%.

For both CGUs a growth rate of 2% has been applied to extrapolate the cash flows beyond the forecast periods by reference to the long-term growth rate of the UK economy.

A post-tax discount rate of 13.60% was used for mature revenue streams within Core and for Legal-Eye, which reflects current market assessments of the time value of money and specific risks using external sources of data. A higher discount rate was used for new revenue streams reflecting their higher risk.

11. Business combinations

On 8 October 2021 the Group acquired 100% of the share capital of Amity Law Limited, a company whose principal activity is conveyancing legal services. The principal reason for the acquisition was to provide a platform for the pilot of the Group's new digital products and to accelerate the product development process by providing faster insights into the needs of the various stakeholders in the home moving journey. Smoove Complete, the Group's proposition for self-employed conveyancers has been launched with the Amity Law entity.

Details of the fair value of identifiable assets and liabilities acquired are shown below.

	£'000
Property, plant, and equipment	**37**
Trade and other receivables	**92**
Cash and equivalents	**70**
Provision for legal claims	**(5)**
Deferred taxation	**(6)**
Trade and other payables	**(81)**
Current tax payable	**(23)**
Total Net Assets	**84**

Notes to the consolidated financial statements
continued

11. Business combinations continued

Fair value of consideration paid

	£'000
Cash	**205**
Deferred consideration	**100**
Total consideration	**305**
Goodwill (note 10)	**221**

The deferred consideration was not contingent and was paid in October 2022.

Acquisition costs of £44,000 arose as a result of the transaction and are included in administrative expenses in the year ended 31 March 2022.

The main factor leading to the recognition of goodwill is the value that Amity adds to the Group's product development activities, which does not qualify for separate recognition. The goodwill recognised will not be deductible for tax purposes.

12. Investment in associates

	2023 £'000	2022 £'000
Opening value at 1 April	**155**	627
Share of profit for the year	**58**	31
Impairment of associate	**–**	(503)
Closing value at 31 March	**213**	155

The Group acquired 35% of Homeowners Alliance Ltd on 29 February 2016. Homeowners Alliance Ltd's place of incorporation and operation is in the UK and its registered address is Pound House, 62a Highgate High St, London N6 5HX.

During the year ended 31 March 2022, an impairment review of the investment in Homeowners Alliance Ltd. gave rise to an impairment of £503,000. The review assumed a post-tax discount rate of 12.60%, long-term growth rate of 2%, and a discount associated with lack of control of 40%. An impairment review for the year ended 31 March 2023 relied on a substantially similar methodology as the prior year but used a higher discount rate of 13.60% to reflect an increase in risk free interest rates in the economy. This review concluded that no additional impairment was required.

13. Intangible assets

	Capitalised development expenditure £000's	Customer and introducer relationships £000's	Brands £000's	Total £000's
Cost				
At 1 April 2021	4,627	1,070	226	5,923
Additions	316	–	–	316
At 31 March 2022	4,943	1,070	226	6,239
Additions	746	–	–	746
At 31 March 2023	**5,689**	**1,070**	**226**	**6,985**
Accumulated amortisation				
At 1 April 2021	3,353	634	137	4,124
Charge	551	109	23	683
At 31 March 2022	3,904	743	160	4,807
Charge	451	109	22	582
At 31 March 2023	**4,355**	**852**	**182**	**5,389**
Net book value				
At 1 April 2021	1,274	436	89	1,799
At 31 March 2022	1,039	327	66	1,432
At 31 March 2023	**1,334**	**218**	**44**	**1,596**

Amortisation is included within administrative expenses. Capitalised development expenditure has a remaining amortisation period of up to 4 years. Consumer and introducer relationships and brands have a remaining amortisation period of 2 years.

Notes to the consolidated financial statements continued

14. Property, plant and equipment

	Leasehold improvements £000's	Right of use assets £000's	Computer equipment £000's	Fixtures and fittings £000's	Total £000's
Cost					
At 1 April 2021	815	1,589	1,038	129	3,571
Additions	4	–	93	–	97
Subsidiary Acquisition	5	–	31	–	36
Disposals	–	–	(730)	–	(730)
At 31 March 2022	824	1,589	432	129	2,974
Additions	–	48	57	19	124
Disposals	(615)	(531)	–	–	(1,146)
At 31 March 2023	**209**	**1,106**	**489**	**148**	**1,952**
Accumulated depreciation					
At 1 April 2021	604	263	781	92	1,740
Charge	27	157	135	10	329
Disposals	–	–	(667)	–	(667)
At 31 March 2022	631	420	249	102	1,402
Charge	25	165	84	24	298
Disposals	(591)	(224)	–	–	(815)
At 31 March 2023	**65**	**361**	**333**	**126**	**885**
Net book value					
At 1 April 2021	211	1,326	257	37	1,831
At 31 March 2022	193	1,169	183	27	1,572
At 31 March 2023	**144**	**745**	**156**	**22**	**1,067**

Depreciation is recognised within administrative expenses.

15. Trade and other receivables

	2023 £'000	2022 £'000
Current assets		
Trade receivables	**756**	977
Other receivables	**163**	87
Prepayments and accrued income	**785**	481
	1,704	1,545
Non-current assets		
Prepayments and accrued income	**73**	94
Long-term receivables (loans to associate)	**50**	100
	123	194

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

Included in prepayments and accrued income are contract assets of £358,000 (2022: Nil).

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

16. Cash and cash equivalents

	2023 £'000	2022 £'000
Cash at bank (GBP)	**10,131**	20,027

At March 2023 and 2022 all significant cash and cash equivalents, which include deposits with maturities up to approximately three months, were deposited with major clearing banks in the UK with at least an 'A' rating.

17. 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.

	2023		2022	
	No	£000's	No	£000's
Ordinary shares of £0.004 each	**57,016,550**	**228**	64,871,276	259
	57,016,550	**228**	64,871,276	259

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

	2023 Number	2022 Number
Shares issued and fully paid		
Beginning of the year	**64,871,276**	64,871,276
Cancelled	**(7,854,726)**	–
Shares issued and fully paid	**57,016,550**	64,871,276

During the year the Group repurchased 9,129,236 shares representing 14% of the issued ordinary share capital. The repurchase was achieved by way of a tender offer with a tender price of 40 pence that closed on 9 January 2023. Of the repurchased shares, 7,854,726 were cancelled and 1,274,510 were acquired by the Employee Benefit Trust ("EBT") at a price of 0.4 pence to enable awards under the Joint Share Ownership Plan ("JSOP").

Notes to the consolidated financial statements continued

17. Share capital continued

At the period end, the EBT held 1,632,314 (2022: 357,804) shares in the Company with a market value of £518,260 (2022: £254,041). The EBT shareholding consists of 1,274,510 shares associated with the JSOP and 357,804 shares, which are unallocated and support the administration of the Company's share option plans.

18. Share-based payments

The Group provides share-based awards to employees, which are equity settled. These have been issued under the Share option scheme rules adopted in 2014 and amended in 2020 and under the new scheme rules adopted in January 2023.

Options granted prior to 2020 vested in three equal tranches, three, four and five years after date of grant or in one tranche three years after date of grant and were not subject to performance conditions. Awards granted after 2020 were subject to performance conditions measured three years from the date of grant.

During the year the Board adopted share option scheme rules applying to future option grants and a Long Term Incentive Plan ("LTIP"). The Group made awards of 3,400,000 ordinary shares "Performance Shares" under the LTIP to its two Executive Directors and other senior employees. The vesting of all Performance Share awards is conditional on meeting both a performance condition relating to gross profit and a share price performance condition, both of which are measured three years from the award date. The gross profit condition specifies a target gross profit for the year ended 31 March 2026 of £13,574,000. The definition of gross profit used corresponds with that used in the Group's accounts. Provided that the gross profit condition is met, the share price performance condition specifies that the shares will vest on a straight-line basis if the measured share price is between 55 pence (33% vesting) and 80 pence (100% vesting). If either the gross profit condition is not met or the measured share price is below 55 pence, then the awards will lapse.

2,125,490 of the LTIP awards were granted as options and 1,274,510 of the awards were granted as awards under the Joint Share Ownership Plan ("JSOP"). The JSOP shares were purchased by Group as part of the buyback tender offer that completed on 9 January 2023 and were subsequently transferred from treasury to the employee benefit trust to be granted as JSOP awards. The performance conditions of the JSOP shares are identical to those of the options granted under the LTIP.

In addition to the LTIP awards, the Group awarded 1,318,937 additional options during the year to employees other than the executive directors, which were subject to various performance conditions measured three years from the date of grant.

All awards granted by the Group will expire 10 years from the date of grant if they remain unexercised. The awards are forfeited if the employee leaves the Group before the options vest.

Options granted in prior years were valued using the Black-Scholes option-pricing model. Awards granted in 2023 were valued using either a Monte Carlo simulation or Binomial model. Valuation assumptions are shown in the table below:

	2023	2022
Share price at date of grant	**£0.408-£0.470**	£0.785
Contractual life	**10 years**	10 years
Expected volatility	**45%-50%**	55.517%
Expected dividend rate	**0%**	0%
Risk free rate	**3.25%-3.35%**	0.2825%

The expected volatility was calculated, with reference to the Company's share price, based on a period commensurate with the expected life of the options, estimated between 3 – 6.5 years.

The following table shows awards issued which were outstanding as at 31 March 2023:

Date of grant	Exercise price (£)	Share price at date of grant (£)	Awards in issue as 31 March 2023
18 August 2014	0.4000	0.4800	85,468
21 August 2015	0.5350	0.5350	34,520
7 November 2016	0.7025	0.7025	116,505
21 December 2016	0.7675	0.7675	64,828
9 August 2018	1.3325	1.3325	55,000
14 July 2020	0.5390	0.5390	750,000
19 February 2021	0.8600	0.8600	675,000
18 January 2023	0.4080	0.4080	818,937
18 January 2023	0.0040	0.4080	3,400,000
10 February 2023	0.0040	0.4750	90,000
13 February 2023	0.4700	0.4700	410,000

The Group recognised total expenses of £110,000 (2022: £108,000) related to share options accounted for as equity-settled share-based payment transactions during the year.

The weighted average fair value of options granted in the year was £0.17 per share (2022: £0.29).

A reconciliation of option movements over the year to 31 March 2023 is shown below:

	As at 31 March 2023		As at 31 March 2022	
	Number of Awards	Weighted average exercise price £	Number of Awards	Weighted average exercise price £
Outstanding at 1 April	**3,656,960**	**0.79**	4,200,360	0.78
Granted	**4,718,937**	**0.11**	500,000	0.79
Forfeited prior to vesting	**(1,875,639)**	**0.88**	(622,343)	0.86
Exercised	**–**	**–**	(421,057)	0.57
Outstanding at 31 March	**6,500,258**	**0.27**	3,656,960	0.79

Of the awards outstanding at the year end, 337,986 were exercisable (2022: 883,560).

The weighted average remaining contractual life of the outstanding options was 9.0 years (2022: 7.5 years).

No options were exercised during the year. The weighted average share price at the date of exercise of those options exercised in the prior year was £0.82 per share.

Notes to the consolidated financial statements continued

19. Trade and other payables

	2023 £000's	2022 £000's
Trade payables	**1,976**	2,120
PAYE and social security	**281**	316
VAT	**288**	296
Other creditors	**3**	11
Accruals and deferred income	**1,003**	1,075
Deferred consideration	**–**	100
	3,551	3,918

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

20. Borrowings

Reconciliation of liabilities arising from financing activities

	2023		2022	
	Leases £'000	Total debt £'000	Leases £'000	Total debt £'000
Balance at 1 April	**1,162**	**1,162**	1,324	1,324
Loan or lease repayments	**(166)**	**(166)**	(192)	(192)
Finance charges	**28**	**28**	30	30
Additions	**48**	**48**	–	–
Disposals	**(323)**	**(323)**	–	–
Balance at 31 March	**749**	**749**	1,162	1,162

21. Financial instruments

Classification of financial instruments

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

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

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

Financial assets

	Measured at amortised cost	
	2023 £000's	2022 £000's
Trade receivables net of provision for credit losses (note 15)	**756**	977
Loans and other receivables (note 15)	**213**	187
Cash and cash equivalents (note 16)	**10,131**	20,027
	11,100	21,191

All of the above financial assets carrying values are approximate to their fair values, as at 31 March 2023 and 2022.

Financial liabilities

	Measured at amortised cost	
	2023 £000's	2022 £000's
Financial liabilities measured at amortised cost (note 19)	**2,842**	3,206
Lease liability (note 20)	**749**	1,162
Deferred consideration (note 19)	**–**	100
	3,591	4,468

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

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

No financial liabilities are carried at fair value.

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, 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.

	2023 £000's	2022 £000's
Impairment provision	**48**	75

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

	2023 £000's	2022 £000's
Not more than 3 months	**25**	35
More than 3 months but not more than 6 months	**32**	25
More than 6 months but not more than 1 year	**–**	–
More than one year	**–**	–
Total	**57**	**60**

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.

Notes to the consolidated financial statements continued

21.Financial instruments continued

Interest rate risk

In previous periods, the Group had secured debt as disclosed in note 20. The interest on this debt was linked to LIBOR and therefore there was an interest rate risk. In the current reporting period the Group had no outstanding borrowings thus reducing interest rate exposure to 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 as part of its regular reviews of financial performance. The table below shows the undiscounted cash flows on the Group's financial liabilities as at 31 March 2023 and 2022, on the basis of their earliest possible contractual maturity. The Board has concluded that the Group does have sufficient cash to meet liabilities as they fall due.

	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 2023						
Trade payables	**1,976**	**1,976**	–	–	–	–
Other payables	**3**	**3**	–	–	–	–
Accruals	**863**	**863**	–	–	–	–
Lease liabilities	**813**	**5**	**62**	**66**	**133**	**547**
Deferred consideration	–	–	–	–	–	–
	3,655	**2,847**	**62**	**66**	**133**	**547**

	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 2022						
Trade payables	2,120	2,120	–	–	–	–
Other payables	11	11	–	–	–	–
Accruals	1,075	1,075	–	–	–	–
Lease liabilities	1,273	–	89	89	177	918
Deferred consideration	100	–	–	100	–	–
	4,579	3,206	89	189	177	918

23. Capital management

The Group's capital management objectives are:

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

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

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:

	2023 £000's	2022 £000's
Total Equity	**15,509**	24,802
Cash and cash equivalents	**10,131**	20,027
Capital	**25,640**	44,829
Total Equity	**15,509**	24,802
Financing	**15,509**	24,802
Capital-to-overall financing ratio	**1.65**	1.81

24. Lease arrangements

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

The Group has leases over two properties, with remaining lease terms ranging from three to seven years with a break clause for the longer lease.

Lease liabilities are secured by the related underlying assets. The undiscounted maturity analysis of lease liabilities at 31 March 2023 is as follows:

	Within one year £000's	1-2 years £000's	2-5 years £000's	6-10 years £000's	Total £000's
31 March 2023					
Gross liability	**133**	**133**	**354**	**193**	**813**
Finance charges	**(17)**	**(15)**	**(27)**	**(5)**	**(64)**
	116	**118**	**327**	**188**	**749**

	Within one year £000's	1-2 years £000's	2-5 years £000's	6-10 years £000's	Total £000's
31 March 2022					
Gross liability	177	177	532	386	1,272
Finance charges	(27)	(24)	(47)	(12)	(110)
	150	153	485	374	1,162

The total cash outflow in respect of leases during the year was £166,000 (2022: £192,000).

The interest expense in the year relating to lease liabilities was £28,000 (2022: £31,000).

For details of right of use assets see note 14.

Notes to the consolidated financial statements continued

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 £830,000 (2022: £578,000).

27. Related party transactions

Directors:

M Rowland

O Scott

E Bucknor

M Cress

For remuneration of Directors please see note 4 and the more detailed disclosures in the Directors' report on page 36.

Legal-Eye Ltd uses a training platform provided by DeepHarbour Ltd, a company of which Martin Rowland and his wife are the Directors and in which they own more than more than 50% of the share capital. During the year, the Group were invoiced £17,000 (2022: £15,000) by DeepHarbour Ltd for the provision of its training platform. The balance outstanding at the period end was £4,000 (2022: Nil). The terms of the provision of the training platform were in place prior to the appointment of Martin as a Director of the Group and are considered to be at arms-length.

28. Contingent liabilities

The Directors are not aware of any contingent liabilities within the Group or the Company at 31 March 2023 and 2022.

29. Ultimate controlling party

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

30. Events after the Balance Sheet date

On 24 April 2023 the Group publicly confirmed that it was in discussions with PEXA Group Ltd, which may lead to a cash offer for the entire share capital of the Group. There can be no certainty that the discussions will lead to a successful offer for the Group. As at the date of signing of these financial statements, the discussions remain ongoing.

31. Dividends paid

The Directors have recommended that no final dividend be payable in respect of the year ended 31 March 2023.

At the period end, the Company's Employee Benefit Trust held 1,632,314 (2022: 357,804) shares in the Company. It waives any dividend that may be due on that holding.

Parent Company Balance Sheet

as at 31 March 2023

	Notes	2023 £000's	2022 £000's
Assets			
Non-current assets			
Investments	2	**6,860**	6,569
Deferred Tax Asset		**–**	20
Amounts owed by subsidiary undertakings		**8,606**	3,529
		15,466	10,118
Current assets			
Trade and other receivables	3	**139**	310
Cash and cash equivalents		**8,986**	18,537
		9,125	18,847
Total assets		**24,591**	28,965
Equity and liabilities			
Capital and reserves attributable to the Group's equity shareholders			
Share capital	5	**228**	259
Share premium		**4,609**	4,609
Capital redemption reserve		**144**	113
Share-based payment reserve		**584**	474
Retained earnings		**18,795**	23,139
Total equity		**24,360**	28,594
Current liabilities			
Trade and other payables	4	**231**	271
Deferred consideration		**–**	100
		231	371
Total liabilities		**231**	371
Total equity and liabilities		**24,591**	28,965

The Company has taken the exemption under Section 408 of the Companies Act 2006 from presenting its own income statement. The Parent Company made a loss of £697,000 (2022 loss: £1,353,000) for the year.

The financial statements were approved by the Board of Directors on 4 July 2023 and were signed on its behalf by:

Jesper With-Fogstrup
Chief Executive Officer
Smoove plc

Company number: 07466574

Parent Company statement of changes in equity

for the years ended 31 March 2023

	Treasury reserve £000's	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 2021	–	259	4,609	113	394	24,440	29,815
Loss for the year	–	–	–	–	–	(1,353)	(1,353)
Total comprehensive loss	–	–	–	–	–	(1,353)	(1,353)
Share-based payments	–	–	–	–	132	–	132
Exercise of options	–	–	–	–	(52)	52	–
Total transactions with owners	–	–	–	–	80	52	132
Balance at 31 March 2022	–	259	4,609	113	474	23,139	28,594
Balance at 1 April 2022	**–**	**259**	**4,609**	**113**	**474**	**23,139**	**28,594**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(697)**	**(697)**
Total comprehensive loss	**–**	**–**	**–**	**–**	**–**	**(697)**	**(697)**
Purchase of shares by EBT	**510**	**–**	**–**	**–**	**–**	**(505)**	**5**
Share-based payments	**–**	**–**	**–**	**–**	**110**	**–**	**110**
Repurchase of shares	**(3,652)**	**–**	**–**	**–**	**–**	**–**	**(3,652)**
Cancellation of shares	**3,142**	**(31)**	**–**	**31**	**–**	**(3,142)**	**–**
Total transactions with owners	**–**	**(31)**	**–**	**31**	**110**	**(3,647)**	**(3,537)**
Balance at 31 March 2023	**–**	**228**	**4,609**	**144**	**584**	**18,795**	**24,360**

Notes to the Parent Company financial statements

1. Parent Company accounting policies

Basis of Preparation

The annual financial statements of Smoove plc (the Parent Company financial statements) have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice, 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 UK adopted 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 Group Financial Statements. These financial statements do not include certain disclosures in respect of:

- share-based payments;
- revenue from contracts with customers;
- 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

Recognition and derecognition

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

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

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

Classification and initial measurement of financial assets

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

Financial assets are classified into the following categories:

- amortised cost;
- fair value through profit or loss (FVTPL); and
- fair value through other comprehensive income (FVOCI).

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

Notes to the Parent Company financial statements continued

1. Parent Company accounting policies continued

Financial instruments continued

The classification is determined by both:

- the entity's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

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

Subsequent measurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

Impairment of financial assets

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

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

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1'); and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

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

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

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

Trade and other receivables and contract assets

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

The Company assess impairment of trade receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due. Refer to note 20 of the Group Financial Statements or further details.

Classification and measurement of financial liabilities

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

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

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

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

Investments

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

Current taxation

Current taxation 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.

Notes to the Parent Company financial statements continued

1. Parent Company accounting policies continued

Equity and reserves

Equity and reserves comprise 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 and cancelled share capital.
- 'Share based payment reserve' represents the accumulated value of share-based payments expensed in profit or loss less charge in relation to exercised options.
- '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 is cash settled.

Where employees are rewarded using share-based payments, the fair value of employees' services is determined indirectly by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date using the Black-Scholes model for awards issued in prior years and either a Monte Carlo simulation or Binomial model for awards granted in 2023.

All share-based remuneration is ultimately recognised as an expense in profit or loss with a corresponding credit to share-based payment reserve. The expense is allocated over the vesting period. 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. Alternatively share options may be exercised via shares held by the EBT.

Employee benefit trust

In prior years the Company made loans to the Employee Benefit Trust that were used to facilitate its share-based payment schemes. During the year the Company made a capital contribution to the Trust, the proceeds of which were used by the Trust to settle the loan in full. Following this settlement transaction the Company's interest in the Trust is included within investments. Prior to the settlement transaction, the loan was included within other receivables. Both the receivable and the investment are subject to an impairment charge if the market value of the underlying shares falls below the carrying amount of the asset.

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.

Judgements

Investment in Group Undertakings

The holding value of Legal-Eye Limited has been previously impaired. The Board conducted a review and judged that the holding should be further impaired by £188,000 (2022: nil) in the current reporting period. Please also refer to the Group's principal accounting policies note covering judgements and CGUs and for discount rates used.

The holding value of the Company's investment in Homeowners Alliance was impaired during the prior period. Please also refer the Group's principal accounting policies note for a description of the judgements associated with this impairment.

2. Investments

The Company directly holds the issued share capital of the following companies:

Company name	Principal activity	Class of shares	Place of incorporation and operation	% ownership held by the Company 2023	% ownership held by the Company 2022
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
Homeowners Alliance Limited	Operation of website for homeowners and prospective home owners	Ordinary	UK	35	35
Financial Eye Limited	Financial compliance consultancy services for solicitors	Ordinary	UK	15	15
Amity Law Limited	Solicitors	Ordinary	UK	100	100
Hello Smoove Limited	Dormant	Ordinary	England & Wales	100	100

Homeowners Alliance Limited is considered to be an associate company and is accounted for accordingly.

The registered offices of the subsidiaries and associate are disclosed in notes 9 and 12 to the Group Financial Statements.

The following UK subsidiaries will take advantage of the audit exemption set out within Section 479A of the Companies Act 2006 for the period ended 31 March 2023. The undertakings listed below are 100% directly owned by Smoove plc. In accordance with Section 479c of the Companies Act, the Company will guarantee the debts and liabilities of the below UK subsidiaries.

Company name	Company number
United Homes Services Limited	06204972
Legal-Eye Limited	06893870
Amity Law Limited	05490029

Notes to the Parent Company financial statements continued

2. Investments continued

	Investments in Group undertakings £000's	Investments in associates £000's	Loans to associates £000's	Employee benefit trust £000's	Total £000's
Cost					
As at 1 April 2021	6,043	575	200	–	6,818
Loan movement	–	–	(100)	–	(100)
Share-based payment reserve	66	–	–	–	66
Impairment	(100)	(420)	–	–	(520)
Acquisition of subsidiary	305	–	–	–	305
As at 31 March 2022	6,314	155	100	–	6,569
Loan movement	**–**	**–**	**(50)**	**–**	**(50)**
Share-based payment reserve	**11**	**–**	**–**	**–**	**11**
Additions	**–**	**–**	**–**	**1,150**	**1,150**
Impairment	**(188)**	**–**	**–**	**(632)**	**(820)**
As at 31 March 2023	**6,137**	**155**	**50**	**518**	**6,860**

The Company acquired 100% of the share capital of Amity Law Limited on 8 October 2021. Details of the acquisition are provided in note 11 of the Group Financial Statements.

3. Receivables

Current receivables:	2023 £000's	2022 £000's
Other receivables	**62**	254
Prepayments	**77**	56
	139	310

During the prior year other receivables relating to a loan to the EBT were impaired by £147,000. Funds advanced to the EBT are now reported within investments.

4. Trade and other payables

	2023 £000's	2022 £000's
Trade payables	**43**	54
Amounts owed to subsidiary undertakings	**–**	20
Social security and other taxes	**–**	6
Accruals	**188**	191
	231	271

5. 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.

	2023		2022	
	No	£000's	No	£000's
Ordinary shares of £0.004 each	**57,016,550**	**228**	64,871,276	259
	57,016,550	**228**	64,871,276	259

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

	2023 Number	2022 Number
Shares issued and fully paid		
Beginning of the year	**64,871,276**	64,871,276
Cancelled	**(7,854,726)**	–
Shares issued and fully paid	**57,016,550**	64,871,276

During the year the Group repurchased 9,129,236 shares representing 14% of the issued ordinary share capital. The repurchase was achieved by way of a tender offer with a tender price of 40 pence that closed on 9 January 2023. Of the repurchased shares, 7,854,726 were cancelled and 1,274,510 were acquired by the employee benefit trust at a price of 0.4 pence to enable awards under the Joint Share Ownership Plan ("JSOP").

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 18 to the Group Financial Statements, there being no difference between the Company and Group disclosures.

6. Related party transactions

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

7. Post Balance Sheet events

On 24 April 2023 the Company publicly confirmed that it was in discussions with PEXA Group Ltd, which may lead to a cash offer for the entire share capital of the Company. There can be no certainty that the discussions will lead to a successful offer for the Company. As at the date of signing of these financial statements, the discussions remain ongoing.

Company information

Directors

Martin Rowland – Non-Executive Chairman

Jesper With-Fogstrup – Chief Executive Officer

Michael Cress – Chief Financial Officer

Elaine Bucknor – Independent Non-Executive Director

Oliver Scott – Non-Executive Director

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