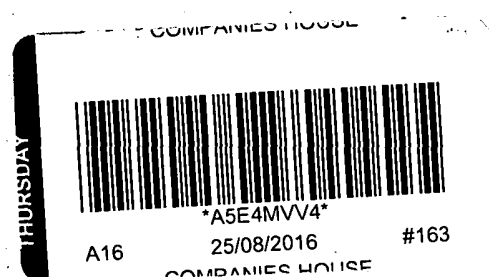


Registered number: 05197592

Zopa Limited

Annual Report and Financial Statements for the year ended 31 December 2015



Zopa Limited

Annual Report and Financial Statements for the year ended 31 December 2015

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Zopa Limited

1

Directors and Professional Advisers

Directors

Giles Andrews
Greg Jackson
Jaidev Janardana

Company Secretary

Giles Andrews

Registered Office

90 Fetter Lane
London
England
EC4A 1EN

Bankers

The Royal Bank of Scotland
London Cavendish Square Branch
28 Cavendish Square
London
W1G 0DB

Lawyers

Morgan, Lewis and Bockius LLP
Condor House
5-10 St Paul's Churchyard
London
EC4M 8AL

Chartered Accountants and Statutory Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Embankment Place
London
WC2N 6RH

Strategic Report for the year ended 31 December 2015

Principal activities

The principal activity of Zopa Limited is the development and provision of an on-line lending and borrowing exchange.

Business review

The results of the group show a loss on ordinary activities before taxation of £8.85 million (2014: £6.10 million). The directors do not recommend the payment of a dividend in the current year (2014: £nil).

As at 31 December 2015, the group had net assets of £13.6 million (2014: £15.2 million).

During 2015 £532 million of new loans were originated on the Zopa platform; double the 2014 performance.

Business environment and future development

The directors anticipate the entry of new competitors to, and growth of existing competitors in, our sector but are confident we will continue to show strong growth.

Following the Financial Conduct Authority taking responsibility for regulating consumer credit in April 2014 Zopa Limited's application for full permission was submitted within the designated window.

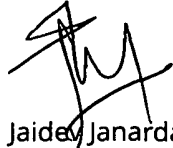
Principle risks and uncertainties

The principle risks and uncertainties that the Group face include marketplace dynamics, commercial agreements and relationships, new technology, management of growth, new products, fraud and credit risk and government regulation. These risks and uncertainties are managed by maintaining strong relationships with customers, by providing excellent quality service, and hiring talented staff to develop technologies and maintain robust control environments.

Key Performance Indicators (KPIs)

The group's directors are of the opinion that analysis using KPIs is not necessary for the understanding of the development, performance or position of the business.

On behalf of the board



Jaidev Janardana
Director

28 June 2016

Directors' Report for the year ended 31 December 2015

The directors present the annual report and the audited financial statements of the group and company for the year ended 31 December 2015. The group consists of Zopa Limited and its wholly owned UK subsidiary P2PS Cars Limited. Details of dividends are included in the Strategic report.

Directors

The directors who held office during the year and up to the date of the approval of these financial statements, unless otherwise noted, are listed below:

Giles Andrews
Greg Jackson
Jaidev Janardana

Going Concern

The financial statements have been prepared on a going concern basis, which the Directors believe to be appropriate. The Directors have prepared cash flow projections for the company covering a period of at least 12 months from the date of their approval of these financial statements and the Directors consider the company will be able to operate within its available facilities.

The group's management of financial risk is detailed in the notes to the financial statements in note 3 on pages 23-24.

Statement of Directors' Responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the company and group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed; subject to any material departures disclosed and explained in the financial statements;
- and prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

**Directors' Report for the year ended 31 December 2015
(continued)****Statement of Directors' Responsibilities (continued)**

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and 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 company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Each of the persons who are directors at the time when the Directors' Report is approved has confirmed that:

- a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- b) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Directors' Indemnities

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

Independent Auditors

The auditors, PricewaterhouseCoopers LLP have indicated their willingness to continue in office.

On behalf of the board



Jaidev Janardana
Director
28 June 2016

Independent auditors' report to the members of Zopa Limited

Report on the financial statements

Our opinion

In our opinion:

- Zopa Limited's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2015 and of the group's loss and the group's and the company's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union;
- the company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the Consolidated and Company Statements of Financial Position as at 31 December 2015;
- the Consolidated Statement of Comprehensive Income for the year then ended;
- the Consolidated and Company Statements of Cash Flows for the year then ended;
- the Consolidated and Company Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union, and applicable law and, as regards the company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, 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

Independent auditors' report to the members of Zopa Limited (continued)

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Independent auditors' report to the members of Zopa Limited (continued)

Responsibilities for the financial statements and the audit (continued)

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's and the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Leighton Thomas (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
28 June 2016

Consolidated Statement of Comprehensive Income for the year ended 31 December 2015

	Note	2015 £	2014 £
Revenue	4	20,640,429	11,475,717
Cost of sales		(9,947,344)	(6,199,643)
Gross profit		10,693,085	5,276,074
Distribution expenses		(6,858,396)	(4,325,054)
Administrative expenses		(12,757,848)	(7,092,883)
Operating loss	6	(8,923,159)	(6,141,863)
Other interest receivable and similar income	5	68,456	39,086
Loss before taxation		(8,854,703)	(6,102,777)
Taxation	9	-	-
Loss for the year	14	(8,854,703)	(6,102,777)
Other comprehensive income		-	-
Total comprehensive expense attributable to owners of the parent		(8,854,703)	(6,102,777)


The notes on pages 14-36 form part of these financial statements.

Consolidated Statement of Financial Position as at 31 December 2015

	Note	31/12/2015 £	31/12/2014 £	01/01/2014 £
Non-current assets				
Property, plant and equipment	10	671,220	675,456	298,048
		<u>671,220</u>	<u>675,456</u>	<u>298,048</u>
Current assets				
Trade and other receivables	11	1,260,000	2,255,945	189,099
Cash and cash equivalents		13,559,339	13,330,965	1,040,569
		<u>14,819,339</u>	<u>15,586,910</u>	<u>1,229,668</u>
Total assets		<u>15,490,559</u>	<u>16,262,366</u>	<u>1,527,716</u>
Current liabilities				
Trade and other payables	12	(1,893,437)	(1,046,430)	(632,164)
Net current assets		12,925,902	14,540,480	597,504
Total liabilities		(1,893,437)	(1,046,430)	(632,164)
Net assets		<u>13,597,122</u>	<u>15,215,936</u>	<u>895,552</u>
Equity				
Share capital	15	199,824	199,824	199,824
Share premium		5,815,640	5,815,640	5,815,640
Other reserves	16	38,752,070	31,516,181	11,093,020
Accumulated losses		(31,170,412)	(22,315,709)	(16,212,932)
Total equity		<u>13,597,122</u>	<u>15,215,936</u>	<u>895,552</u>

The notes on pages 14-36 form part of these financial statements.

The financial statements of Zopa Limited (Registered number 05197592) were approved by the directors on 28 June 2016 and were signed on its behalf by:


Jaidev Janardana
Director
28 June 2016

Company Statement of Financial Position as at 31 December 2015

	Note	31/12/2015 £	31/12/2014 £	01/01/2014 £
Non-current assets				
Property, plant and equipment	10	671,220	675,456	298,048
Investment in subsidiary		1	-	-
		<u>671,221</u>	<u>675,456</u>	<u>298,048</u>
Current assets				
Trade and other receivables	11	1,260,000	2,255,945	189,099
Cash and cash equivalents		13,559,339	13,330,965	1,040,569
		<u>14,819,339</u>	<u>15,586,910</u>	<u>1,229,668</u>
Total assets		<u>15,490,560</u>	<u>16,262,366</u>	<u>1,527,716</u>
Current liabilities				
Trade and other payables	12	(1,893,438)	(1,046,430)	(632,164)
Net current assets		12,925,901	14,540,480	597,504
Total liabilities		(1,893,438)	(1,046,430)	(632,164)
Net assets		<u>13,597,122</u>	<u>15,215,936</u>	<u>895,552</u>
Equity				
Share capital	15	199,824	199,824	199,824
Share premium		5,815,640	5,815,640	5,815,640
Other reserves	16	38,752,070	31,516,181	11,093,020
Accumulated losses		(31,170,412)	(22,315,709)	(16,212,932)
Total equity		<u>13,597,122</u>	<u>15,215,936</u>	<u>895,552</u>

The notes on pages 14-36 form part of these financial statements.

The financial statements of Zopa Limited (Registered number 05197592) were approved by the directors on 28 June 2016 and were signed on its behalf by:


 Jaidev Janardana
 Director
 28 June 2016

Consolidated and Company Statement of Changes in Equity for the year ended 31 December 2015

	Share capital £	Share premium £	Other reserves £	Accumulated losses £
Balance as at 1 January 2014	199,824	5,815,640	11,093,020	(16,212,932)
Comprehensive expense				
Loss for the year	-	-	-	(6,102,777)
Total comprehensive expense	-	-	-	(6,102,777)
Transactions with owners				
Capital contribution	-	-	19,923,925	-
Share based payment charge	-	-	499,236	-
Total transactions with owners	-	-	20,423,161	-
Balance as at 31 December 2014 and 1 January 2015	199,824	5,815,640	31,516,181	(22,315,709)
Comprehensive expense				
Loss for the year	-	-	-	(8,854,703)
Total comprehensive expense	-	-	-	(8,854,703)
Transactions with owners				
Capital contribution	-	-	5,676,822	-
Share based payment charge	-	-	1,559,067	-
Total transactions with owners	-	-	7,235,889	-
Balance as at 31 December 2015	199,824	5,815,640	38,752,070	(31,170,412)

Other reserves consist of a capital contribution reserve and share based payment reserve. Please see note 16 for details.

The notes on pages 14-36 form part of these financial statements.

Consolidated Statement of Cash Flows for the year ended 31 December 2015

		2015	2014
	Note	£	£
Cash flows from operating activities			
Cash used in operations	14	(5,154,005)	(7,088,567)
Cash flows from investing activities			
Additions to property, plant and equipment	10	(362,899)	(584,048)
Interest received		68,456	39,086
Net cash used in investing activities		<u>(294,443)</u>	<u>(544,962)</u>
Cash from financing activities			
Capital contribution from Parent		5,676,822	19,923,925
Net increase in cash and cash equivalents		<u>228,374</u>	<u>12,290,396</u>
Cash and cash equivalents at 1 January		13,330,965	1,040,569
Cash and cash equivalents at 31 December		<u>13,559,339</u>	<u>13,330,965</u>

Cash and cash equivalents is entirely made up of cash at bank and in hand.

The notes on pages 14-36 form part of these financial statements.

Company Statement of Cash Flows for the year ended 31 December 2015

	Note	2015 £	2014 £
Cash flows from operating activities			
Cash used in operations	14	(5,154,004)	(7,088,567)
Cash flows from investing activities			
Additions to property, plant and equipment	10	(362,899)	(584,048)
Investment in subsidiary		(1)	-
Interest received		68,456	39,086
Net cash used in investing activities		<u>(294,444)</u>	<u>(544,962)</u>
Cash from financing activities			
Capital contribution from Parent		5,676,822	19,923,925
Net increase in cash and cash equivalents		<u>228,374</u>	<u>12,290,396</u>
Cash and cash equivalents at 1 January		13,330,965	1,040,569
Cash and cash equivalents at 31 December		<u>13,559,339</u>	<u>13,330,965</u>

Cash and cash equivalents is entirely made up of cash at bank and in hand.

The notes on pages 14-36 form part of these financial statements.

Notes to the financial statements for the year ended 31 December 2015

1 General information

The Company and its Subsidiary, together the Group are incorporated and domiciled in the United Kingdom under the Companies Act 2006. The Company is limited by shares. The address of the registered office is detailed on page 1. The principal activities of the Company are disclosed in the Strategic report on page 2.

2 Principal accounting policies

Basis of preparation

These financial statements are prepared in accordance with EU-IFRS, the Companies Act 2006 and applicable accounting standards in the United Kingdom. The financial statements have been prepared under the historical cost convention and as per the Directors Report on a going concern basis. The principal accounting policies, which have been consistently applied, are set out below:

Transition to IFRSs

The financial statements and notes have been prepared in accordance with IFRSs for the first time.

The Company's transition date is 1 January 2014. The Group prepared its opening IFRSs statement of financial position at that date and the Company's IFRSs adoption date is 31 December 2014. The Company has applied IFRS 1 in preparing these financial statements. In preparing these financial statements in accordance with IFRS 1, the Company has applied the mandatory exceptions from full retrospective application of IFRSs as described in note 21.

New and amended standards adopted by the Group and Company

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2014 that would be expected to have a material impact on the Group.

Notes to the financial statements for the year ended 31 December 2015 (continued)

2 Principal accounting policies (continued)

New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2015 and not early adopted

IFRS 15 Revenue from Contracts with Customers

The Standard sets out at what point and how revenue is recognised and also requires enhanced disclosures. Revenue contracts should be recognised in accordance with a single, principles based five-step plan. The Standard is effective for accounting periods beginning on or after 1 January 2018. The Group is yet to assess the full impact of the standard.

IFRS 16 Leases

The Standard assesses the use of off-balance sheet leases, bringing most lessee leases on-balance sheet and eliminating the distinction between operating and finance leases, leaving lessor accounting largely unchanged. The Standard is effective for periods beginning on or after 1 January 2019. The Group is yet to assess the full impact of the standard.

Annual Improvements to IFRS 2010-2012 Cycle

The issues addressed in this cycle cover IFRS2, IFRS3, IFRS8, IFRS13, IAS7, IAS16, IAS24 and IAS38. The Annual Improvements are effective for accounting periods beginning on or after 1 February 2015. The Group is not expecting any of these issues to significantly impact on the Group's financial statements.

Further issues are addressed in the Annual Improvements 2012-2014 cycle, which are effective for accounting periods beginning on or after 1 July 2016, subject to adoption by the European Union.

There is also a Disclosure Initiative which incorporates amendments to IAS1 which is effective for accounting periods beginning on or after 1 January 2016, subject to adoption by the European Union. The Group is yet to assess the full impact of the standard.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

Notes to the financial statements for the year ended 31 December 2015 (continued)

2 Principal accounting policies (continued)

Basis of consolidation

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

Revenue

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of rebates and amounts collected on behalf of third parties.

The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the group's activities as described below. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

The group's main types of revenue arise from the principal activity and represent the commission charged to borrowers and lenders for the use of the on-line lending and borrowing exchange. Revenue from servicing fees is recognised over the term of the loan. The borrower fee is recognised when the borrower accepts the loan.

Finance income and expenses

Interest income and expenses are recognised on a time proportion basis using the effective income interest method.

Notes to the financial statements for the year ended 31 December 2015 (continued)

2 Principal accounting policies (continued)

Property, plant and equipment and depreciation

Property, plant and equipment are stated as historic purchase cost less accumulated depreciation. The cost of tangible assets is their purchase cost together with incidental costs of acquisition. Incidental cost only include those that are necessary to bring the asset into the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is calculated so as to write off the cost of tangible fixed assets less their estimated residual values on a straight-line basis over the expected useful economic lives of the assets concerned being:

Office equipment	3-4 years
Fixtures and fittings	3-4 years

Residual values and useful economic lives for tangible assets are reviewed regularly and revised when necessary.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

Intangible assets

Intangible assets relate to development costs, including employee costs, and are recognised if all of the following criteria are met:

- It meets the definition of an intangible asset (including the requirement to be identifiable), and
- It is probable that the asset will result in a flow of future economic benefits, and
- The expenditure attributable to the asset can be reliably measured.

Intangible assets are amortised on a straight line basis over their useful life. The residual value of intangible assets is assumed to be zero. Impairment reviews are carried out at the end of each reporting period. Assets are stated at cost less accumulated amortisation and any recognised impairment.

Expenditure on research is charged to the statement of comprehensive income in the year in which it is incurred.

Notes to the financial statements for the year ended 31 December 2015 (continued)

2 Principal accounting policies (continued)

Investment in subsidiaries

Investments are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). An impairment loss is recognised in the income statement as the amount by which the asset's carrying amount exceeds its recoverable amount.

Leases

Leases of property, plant and equipment where the group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Lease income from operating leases where the group is a lessor is recognised in income on a straight-line basis over the lease term. The respective leased assets are included in the balance sheet based on their nature.

Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet. Client assets in the form of loans and client money are held off balance sheet.

Notes to the financial statements for the year ended 31 December 2015 (continued)

2 Principal accounting policies (continued)

Foreign currencies

Transactions denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities are translated at the rates of exchange ruling on the balance sheet date and any differences arising are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other income or other expenses.

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in GB Pound Sterling (£), which is Zopa Limited's functional and presentation currency.

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Notes to the financial statements for the year ended 31 December 2015 (continued)

2 Principal accounting policies (continued)

Trade receivables

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

Trade and other payables

These amounts represent liabilities for goods and services provided to the group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost.

Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Notes to the financial statements for the year ended 31 December 2015 (continued)

2 Principal accounting policies (continued)

Income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from 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. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Companies within the group may be entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure (e.g. the Research and Development Tax Incentive regime in the UK or other investment allowances). The group financial statements for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense. A deferred tax asset is recognised for unclaimed tax credits that are carried forward as deferred tax assets.

Notes to the financial statements for the year ended 31 December 2015 (continued)

2 Principal accounting policies (continued)

Employee benefits

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

Pension obligations

For defined contribution plans, the group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Share-based payments

Share-based compensation benefits are provided to employees via options granted under the 2005 Stock Incentive Plan and the 2015 Stock Incentive Plan.

The fair value of options granted is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Capital management

The group's objective when managing capital is to safeguard their ability to continue as a going concern. Capital consists of shareholders' equity. The group has no debt.

Notes to the financial statements for the year ended 31 December 2015 (continued)

2 Principal accounting policies (continued)

Rounding of amounts

All amounts disclosed in the financial statements and notes have been rounded off to the nearest pound unless otherwise stated.

Critical accounting judgements and estimates

Share based payments

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Significant estimates and judgements include the estimation of the fair value of share based payments. The group and company has used the Black Scholes valuation model to determine the fair value of share based payments. Any changes to volatility and assumptions made by management will impact the valuation. See note 20 for additional information.

Safeguard fees

Management has assessed the appropriate revenue recognition treatment for Safeguard fees, specifically in relation to agent versus principle and subsequent presentation on a gross or net basis. Based on the facts and circumstances, and contractual arrangements, it is the judgement of management that the group believes it is appropriate to disclose these fees on a gross basis.

3 Management of financial risks

In the course of its business, the Group is exposed to a variety of financial risks such as credit risk, liquidity risk and market risk (including interest rate risk). The Group's overall risk management programme seeks to minimise potential adverse effects on the Group's financial performance.

Credit Risk

Credit risk arises from trade receivables and cash and cash equivalents. The Group has implemented certain operational processes and policies to address the Group's credit related risks around counterparty risk and transactional bad debt. The credit quality of the financial assets has been assessed and no impairment is required.

Counterparty risk in relation to the cash and cash equivalents held is managed by selecting and working only with appropriate financial institutions. The financial stability of partners will be assessed prior to and at regular intervals during the relationship. Where available external credit rating of partners will be monitored.

Transactional bad debt, or loss, risk is managed by regular monitoring. Revenue is largely due to fees collected in the Zopa platform with no transactional bad debt risk. The risk relates to the small amounts invoiced with the outstanding balance at year end displayed in trade receivables.

Notes to the financial statements for the year ended 31 December 2015 (continued)

3 Management of financial risks (continued)

Foreign exchange risk

Foreign exchange risk arises from Group entities entering into transactions denominated in a currency other than their functional currency. These transactions typically relate to trade payables due within 30 days, due to the limited exposure to this risk hedging is not used.

Liquidity Risk

Liquidity risk arises is the risk that the Group will not be able to meet its financial obligations as they fall due. This is managed by ensuring that there is always sufficient liquidity to meet liabilities when due both under normal and stressed conditions. The liquidity position is monitored on an ongoing basis.

The maturity analysis of financial instruments as at reporting dates is as follows:

Group	2015	2014
	£	£
Financial assets available on demand and less than 1 month		
Trade debtors	78,867	-
Cash and cash equivalents	13,559,339	13,330,965
	<u>13,638,206</u>	<u>13,330,965</u>
Current liabilities		
Trade and other payables	<u>1,893,437</u>	<u>1,046,430</u>
Company	2015	2014
	£	£
Financial assets available on demand and less than 1 month		
Trade debtors	78,867	-
Cash and cash equivalents	13,559,339	13,330,965
	<u>13,638,206</u>	<u>13,330,965</u>
Current liabilities		
Trade and other payables	<u>1,893,438</u>	<u>1,046,430</u>

Notes to the financial statements for the year ended 31 December 2015 (continued)

3 Management of financial risks (continued)

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will be subject to fluctuating market prices. The Group has no price risk with respect to financial instruments as we do not hold marketable securities. The Group has no external borrowings and so is not exposed to interest rate risk.

Sensitivity analysis of these risks has not been performed due to the lack of exposure.

4 Revenue

Revenue and loss on ordinary activities before taxation derive from the principal activity and arise wholly in the United Kingdom.

5 Other interest receivable and similar income Group and Company

	2015	2014
	£	£
Interest receivable on bank deposits	<u>68,456</u>	<u>39,086</u>

6 Operating loss Group and Company

Operating loss is stated after charging:	2015	2014
	£	£

Services provided by the company's auditors:

Fees payable for audit services	46,695	18,600
Fees payable for other services – tax compliance	6,000	9,180
Depreciation of owned property, plant and equipment	367,135	206,640
Operating lease payments	<u>303,455</u>	<u>187,675</u>

Notes to the financial statements for the year ended 31 December 2015 (continued)

7 Directors' emoluments Group and Company

Total emoluments in respect of all directors, who are the only key personnel of both the Group and the Company were:

	2015	2014
	£	£
Short-term employee benefits	533,941	236,464
Post-employment benefits	1,113	-
Share-based payment benefits	305,786	46,978
Aggregate emoluments	<u>840,840</u>	<u>283,442</u>
Highest paid Director aggregate emoluments	622,168	178,915

8 Employee information Group and Company

The average monthly number of persons (including directors) employed by both the Group and the Company during the year was:

By activity:	2015 Number	2014 Number
Selling and distribution	35	22
Administration	76	40
	<u>111</u>	<u>62</u>

Employment costs for all of the above employees, including directors, were:

	2015	2014
	£	£
Staff costs		
Wages and salaries	5,327,005	2,736,988
Social security costs	554,689	305,612
Share based payments	1,559,067	499,236
	<u>7,440,761</u>	<u>3,541,836</u>

Notes to the financial statements for the year ended 31 December 2015 (continued)

9 Taxation Group and Company

	2015 £	2014 £
UK corporation tax		
Current tax on income for the year	-	-
Total tax charge	-	-
	2015 £	2014 £
Deferred tax		
Recognition of deferred tax assets	-	-
Income tax charge	-	-
	2015 £	2014 £
Loss on ordinary activities before taxation	(8,854,703)	(6,102,777)
Accounting profit multiplied by the UK standard corporation tax of 20.25% (2014 21.00%)	(1,793,077)	(1,281,583)
Expenses not deductible for tax purposes	17,218	4,764
Utilisation of tax losses not recognised	1,775,859	1,276,819
Total tax charge (as above)	-	-
	2015 £	2014 £
Deferred tax asset	Unrecognised	Unrecognised
Origination and reversal of temporary differences	145,277	79,496
Tax losses available in future years	5,491,436	4,355,642
Total	5,636,713	4,435,138

The deferred tax assets are not recognised as of 31 December 2015 and will be recognised at such time as it becomes likely that they will be realised in the foreseeable future.

Changes to the UK Corporation Tax rates were substantively enacted as part of the Finance Bill 2015 on 26 October 2015. These included reductions to the main rate of Corporation Tax to 19% from 1 April 2017 and 18% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these expected tax rates and reflected in these statements.

Notes to the financial statements for the year ended 31 December 2015 (continued)

10 Property, plant and equipment Group and Company

	Office equipment	Fixtures and fittings	Total
	£	£	£
Cost			
At 1 January 2014	248,867	199,540	448,407
Additions	562,995	21,053	584,048
At 31 December 2014	811,862	220,593	1,032,455
Additions	316,725	46,174	362,899
At 31 December 2015	1,128,587	266,767	1,395,354
Accumulated depreciation			
At 1 January 2014	131,362	18,997	150,359
Charge for the financial year	135,690	70,950	206,640
At 31 December 2014	267,052	89,947	356,999
Charge for the financial year	286,863	80,272	367,135
At 31 December 2015	553,915	170,219	724,134
Net book value			
31 December 2015	574,672	96,548	671,220
31 December 2014	544,810	130,646	675,456
1 January 2014	117,505	180,543	298,048

Notes to the financial statements for the year ended 31 December 2015 (continued)

11 Trade and other receivables

Group and Company	2015	2014
	£	£
Trade debtors	78,867	-
Other debtors	153,472	2,015,492
Loans	57,513	6,663
Prepayments	619,343	177,709
Accrued income	350,805	56,081
	<u>1,260,000</u>	<u>2,255,945</u>

Loans relate to the outstanding loans to a key supplier, season ticket loans to employees, and consumer loans. Other debtors relates to rental deposits and amounts due from customers.

The other debtors balance as of 31st December 2014 included £1,934,662 subsequently received on 6th January 2015.

12 Trade and other payables

Group	2015	2014
Trade creditors	603,207	509,709
Other taxation and social security	285,852	146,230
Other creditors	316,577	90,830
Accruals and deferred income	687,801	299,661
	<u>1,893,437</u>	<u>1,046,430</u>

Company	2015	2014
	£	£
Trade creditors	603,207	509,709
Amounts owed to group undertakings	1	-
Other taxation and social security	285,852	146,230
Other creditors	316,577	90,830
Accruals and deferred income	687,801	299,661
	<u>1,893,438</u>	<u>1,046,430</u>

The amounts owed to group undertakings are unsecured, have no fixed date for repayment and are non-interest bearing.

Other creditors relates to amounts provided for borrower fraud and dilapidations and amounts owed to the defined contribution pension scheme.

Notes to the financial statements for the year ended 31 December 2015 (continued)

13 Financial instruments

Trade and other receivables and Cash and cash equivalents are considered to be the Company's financial assets. Trade and other payables are considered to be the Company's financial liabilities. Financial assets and liabilities are recorded at their fair value with any changes recorded through profit or loss. Management considers the carrying value to be the fair value.

14 Cash used in operations

Group

	2015 £	2014 £
Loss before taxation	(8,854,703)	(6,102,777)
Adjustments for:		
Depreciation of property, plant and equipment	367,135	206,640
Share based payments	1,559,067	499,236
Interest received	(68,456)	(39,086)
Changes in working capital:		
Movement in trade and other receivables	995,945	(2,066,846)
Movement in trade and other payables	847,007	414,266
Cash used in operations	(5,154,005)	(7,088,567)

Company

	2015 £	2014 £
Loss before taxation	(8,854,703)	(6,102,777)
Adjustments for:		
Depreciation of property, plant and equipment	367,135	206,640
Share based payments	1,559,067	499,236
Interest received	(68,456)	(39,086)
Changes in working capital:		
Movement in trade and other receivables	995,945	(2,066,846)
Movement in trade and other payables	847,008	414,266
Cash used in operations	(5,154,004)	(7,088,567)

Notes to the financial statements for the year ended 31 December 2015 (continued)

15 Group and Company share capital

	2015 £	2014 £
Authorised:		
200,000 ordinary shares of £1 each (2014: 200,000)	<u>200,000</u>	<u>200,000</u>
Allotted and fully paid:		
199,824 ordinary shares of £1 each (2014: 199,824)	<u>199,824</u>	<u>199,824</u>

16 Other Reserves

	Capital Contribution Reserve £	Share Based Payment Reserve £
Balance as at 1 January 2014	11,093,020	-
Transactions with owners		
Capital contribution	19,923,925	-
Share based payment charge	-	499,236
Total transactions with owners	<u>19,923,925</u>	<u>499,236</u>
Balance as at 31 December 2014 and 1 January 2015	<u>31,016,945</u>	<u>499,236</u>
Transactions with owners		
Capital contribution	5,676,822	-
Share based payment charge	-	1,559,067
Total transactions with owners	<u>5,676,822</u>	<u>1,559,067</u>
Balance as at 31 December 2015	<u>36,693,767</u>	<u>2,058,303</u>

Notes to the financial statements for the year ended 31 December 2015 (continued)

17 Financial commitments

Leases

The Group had total commitments under non-cancellable operating leases, payable as follows:

	2015	2014
	£	£
Land and buildings		
Under 1 year	367,865	173,535
Between 2 and 5 years	-	130,151
Total	<u>367,865</u>	<u>303,686</u>

Purchase commitments

The Group had total minimum spend commitments relating to credit checks, payable as follows:

	2015	2014
	£	£
Purchase agreements		
Under 1 year	418,320	170,000
Between 2 and 5 years	488,040	-
Total	<u>906,360</u>	<u>170,000</u>

18 Company Related party transactions

At 31 December 2015 £1 is due to the subsidiary company, P2PS Cars Limited. (2014: nil).

During the year a capital contribution of £5,676,822 (2014: £19,923,925) was received from the parent company, Zopa Holdings Inc.

19 Ultimate parent undertaking and controlling party

Zopa Holdings Inc. (incorporated in the U.S.) continues to hold 100% of the issued capital of Zopa Limited at 31 December 2014 and is therefore regarded as the immediate and ultimate parent undertaking.

The only subsidiary of Zopa Limited, which has been included in these consolidated financial statements, is P2PS Cars Limited. P2PS Cars Limited is a UK company 100% owned by Zopa Limited.

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

Notes to the financial statements for the year ended 31 December 2015 (continued)

20 Share based payment arrangements Group and Company

The Group operates 2 equity-settled share-based compensation plans, the 2005 Stock Incentive Plan and 2015 Stock Incentive Plan. Both are established under the Enterprise Management Initiative ("EMI"), for certain employees under which the entity receives services from employees as consideration for equity option instruments (share options) of the Parent. The fair value of the employee services received in exchange for the grant of options is expensed on the equity basis each reporting period, based on the Group's estimate of shares that will eventually vest and the value of the options as at the date of grant.

	Options Number	Weighted Average Exercise Price £
Outstanding options at 31 December 2014	1,652,719	0.6713
Granted during 2015	765,177	1.0000
Exercised during 2015	(193,884)	0.0689
Lapsed during 2015	(136,384)	0.7286
Outstanding options at 31 December 2015	<u>2,087,628</u>	<u>0.8433</u>
Exercisable options at 31 December 2015	668,235	0.5425

The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions.

A Black Scholes option pricing model has been used to calculate the fair value of the options granted in the year. The following assumptions were made:

	2015
Weighted average share price	£4.76
Weighted average exercise price	£1.00
Expected volatility	35%
Expected life (in years)	10
Risk free rate	2%

The share based payment charge in the year was £1,559,067.

Notes to the financial statements for the year ended 31 December 2015 (continued)

21 Transition to IFRS

These consolidated financial statements represent the first annual financial statements prepared in accordance with IFRS as adopted by European Union. The Company adopted IFRS 1, First-time Adoption of International Financial Reporting Standards. The accounting policies set out in note 2 have been applied on a retrospective basis in preparing the financial statements for the year ended 31 December 2015, the comparative information presented in these financial statements for the year ended 31 December 2014 and in preparation of the opening IFRS statement of financial position at 1 January 2014. The Company's consolidated financial statements were previously prepared in accordance with the Financial Reporting Standard for Smaller Entities (FRSSE).

IFRS Mandatory Exceptions

Set forth below are the applicable mandatory exceptions in IFRS 1 applied in the conversion from FRSSE to IFRS;

Estimates

Hindsight is not used to create or revise estimates. The estimates previously made by the Company under FRSSE were not revised for application of IFRS except where necessary to reflect any difference in accounting policies.

Presentation

The presentation in accordance with IFRS differs from the presentation in accordance with FRSSE. The analysis below sets out the most significant adjustments arising from the transition to IFRS.

IFRS Adjustment

Share based compensation – For 2014 FRSSE financial statements, under FRSSE exemption, the Group did not disclose the impact of share based compensation under certain option schemes (see note 20 for further detail). Per IFRS 2, the Group performed a valuation of share options under these option schemes for all prior periods. The Group assessed impacts for periods prior to 2014 and deemed the impact immaterial for recognition in the respective financial statement periods. The Group recognised the impact for all periods before 2015 in Group and Company financial statements in 2014. This has resulted in a total share based compensation reserve and administrative expense of £499,236 for the reporting period ended 31 December 2014.

Notes to the financial statements for the year ended 31 December 2015 (continued)

21 Transition to IFRS (continued)

Group and Company statement of comprehensive income for the year ended 31 December 2014

	FRSSE £	Effect of transition to IFRS £	IFRS £
Revenue	11,475,717	-	11,475,717
Cost of sales	(6,199,643)	-	(6,199,643)
Gross profit	5,276,074	-	5,276,074
Distribution expenses	(4,325,054)	-	(4,325,054)
Administrative expenses	(6,593,647)	(499,236)	(7,092,883)
Operating loss	(5,642,627)	(499,236)	(6,141,863)
Other interest receivable and similar income	39,086	-	39,086
Loss before taxation	(5,603,541)	(499,236)	(6,102,777)
Taxation	-	-	-
Loss for the year	(5,603,541)	(499,236)	(6,102,777)
Other comprehensive income	-	-	-
Total comprehensive expense attributable to owners of the parent	(5,603,541)	(499,236)	(6,102,777)

Notes to the financial statements for the year ended 31 December 2015 (continued)

21 Transition to IFRS (continued)

Group and Company statement of financial position as at 31 December 2014

	FRSSE	Effect of transition to IFRS	IFRS
	£	£	£
Non-current assets			
Property, plant and equipment	675,456	-	675,456
	<u>675,456</u>	<u>-</u>	<u>675,456</u>
Current assets			
Trade and other receivables	2,255,945	-	2,255,945
Cash and cash equivalents	13,330,965	-	13,330,965
	<u>15,586,910</u>	<u>-</u>	<u>15,586,910</u>
Total assets	<u>16,262,366</u>	<u>-</u>	<u>16,262,366</u>
Current liabilities			
Trade and other payables	(1,046,430)	-	(1,046,430)
Net current assets	14,540,480	-	14,540,480
Total liabilities	(1,046,430)	-	(1,046,430)
Net assets	<u>15,215,936</u>	<u>-</u>	<u>15,215,936</u>
Equity			
Share capital	199,824	-	199,824
Share premium	5,815,640	-	5,815,640
Other reserves	31,016,945	499,236	31,516,181
Accumulated losses	(21,816,473)	(499,236)	(22,315,709)
Total equity	<u>15,215,936</u>	<u>-</u>	<u>15,215,936</u>

Transition had no impact on the Group and Company statement of financial position as at 1 January 2014.