

Company Registration No. 05540422 (England and Wales)

**Rated People Limited**  
**Annual Report and Financial Statements**  
**for the year ended 31 December 2015**

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# **Rated People Limited**

## **Directors, advisors and company information**

### **Directors**

A Cox  
R M Reid  
C Francis  
T Parsons

### **Company Secretary**

T Parsons

### **Registered office**

240 Blackfriars Road  
London, SE1 8NW

### **Registered number;**

05540422

### **Country of incorporation**

England and Wales

### **Website**

[www.ratedpeople.com](http://www.ratedpeople.com)

### **Independent Auditor**

KPMG LLP  
15 Canada Square  
London  
EC14 5GL

### **Banker**

Royal Bank of Scotland  
49 Charing Cross  
London, SW1A 2DX

# **Rated People Limited**

## **Strategic Report for the year ended 31 December 2015**

The Directors present their Strategic Report for Rated People Limited (the Company) for the financial year ended 31 December 2015.

### **Principal activity**

The principal activity of the Company is providing an online, fully automated, tradesperson recommendation and matching service for homeowners wanting to undertake home improvements or maintenance.

### **Business Overview**

Rated People Limited owns and operates the UK's leading online marketplace that enables homeowners to find tradespeople and trade businesses in the UK, and for tradespeople and trade businesses to find work from those homeowners. The Company was founded in 2006 based on its founder's observation and personal experience that it can often be hard to find quality, available, local tradespeople or trade businesses.

The Company operates its online marketplace through the website "ratedpeople.com" and also through its mobile apps (iOS and Android) for trade businesses and homeowners. The website and mobile apps allow homeowners to post their maintenance and home improvement job requirements and for trade members (individual tradespeople or trade businesses that are members of the website) to gain access (through the payment of a subscription fee) to jobs posted by homeowners in their respective trade and geographic coverage areas. Homeowners are then contacted by up to three trade members (on a first come, first served basis) who are available to quote for and potentially undertake the work for the homeowner. Homeowners are able to make an assessment of trade members before contacting them by reviewing ratings of trade members, provided by other homeowners who have previously engaged the trade member via the Company's website. The ratings act as a self-regulating, closed-loop, quality control measure on an on-going basis, whilst the website encourages a social community environment, with features such as an "Ask an Expert" function whereby trade members are able to answer questions posed by homeowners.

### **Business Review**

The key KPIs that the business uses to measure performance are revenue, operating profit/loss before one-offs and share based payment expense and the net asset/liability position.

Revenue for the year reduced by 15% from £13.255m to £11.308m as the company reduced its discretionary marketing spend. As a result the operating loss before one-offs and share based payment expense was reduced by 72% from (£2.97m) to (£0.84m).

The net liability position of the Company improved to £1,362,705 (2014: £7,607,986) as a result of the raising of equity funding from existing investors and a capital restructure.

# Rated People Limited

## Strategic Report for the year ended 31 December 2015

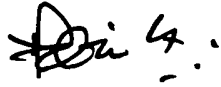
### Principal Risks and Uncertainties

There are a number of potential risks and uncertainties

Risk/Uncertainty	Mitigation/Comment
If the Company is unable to attract a sufficient level of traffic to its website at a commercially reasonable cost, its business, financial condition and results of operations may be materially adversely affected	The Company has a diversified approach to obtaining traffic: via paid search, organically, via affiliate networks and partners, and direct to the site as a result of its growing brand presence
The Company relies on traffic to ratedpeople.com (the RP Website) from search engines like Google, Yahoo! and Bing. If the RP Website fails to rank prominently in unpaid search results, traffic to the RP Website could decline and the Company's business, financial condition and results of operations would be adversely affected	Companies such as Google are regularly updating their algorithms. What has been consistent, however, is that companies creating content and a genuine destination perform well, and with initiatives designed to enhance organic traffic to the website, such as "Ask an Expert", cost guides etc., the Company is well positioned
If the Company's efforts to increase the number of Trade Members, retain existing Trade Members and maintain high levels of Trade Member engagement are not successful, the Company's growth prospects will be adversely affected	In 2016 the Company will be enhancing its multi-channel Trade Member recruitment strategy
If the Company does not adapt to rapid technological changes its competitiveness could decline and it could lose market share	The Company uses an agile development methodology, and is continually upgrading its infrastructure and practices under the guidance of the CTO and Product Director
Changes in applicable laws and regulations, in particular, in relation to the internet and consumer protection, may have an impact on the Company	The Company is in regular contact with its lawyers to stay abreast of changes in legislation
If Trade Members rated on the RP Website do not meet the expectations of Homeowners, or engage in unethical or illegal conduct, the Company may suffer reputational harm or liability as a result	As the Company grows, so will the propensity for individuals and companies to attempt to profit from its growing brand recognition. The Company has in place both manual and automated screening and monitoring processes and procedures which aim to minimise the possibility of it being subject to illegal or unethical conduct, although it is impossible to eliminate entirely. The Company's T&Cs also clearly position it as a marketplace ie. no liability for performance is accepted once an introduction has been made
Currency risk related to US denominated debt	In 2015 a natural hedge was used with part of the funds borrowed in US dollars being held in that currency for repayment. In addition, in 2016 part of this exposure is actively hedged
There is a risk that the Company may be unable to secure sufficient funds to support growth in its operations	The Company is currently in a loss making position as it seeks to grow its market share in what is still a developing market. The Company does, however, have significant discretionary expenditure which it can flex up or down in the event it is not able to secure additional funding to continue its present rate of growth

**Rated People Limited**  
**Strategic Report for the year ended 31 December 2015**

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

A handwritten signature in black ink, appearing to read 'Adrian Cox', with a small flourish at the end.

Adrian Cox  
Chairman  
21 April 2016

# **Rated People Limited**

## **Directors' Report for the year ended 31 December 2015**

The directors present their annual report on the affairs of the Company, together with the financial statements and auditor's report, for the year ended 31 December 2015.

### **Directors**

The directors who served throughout the year and to the date of this report were, unless otherwise stated, as follows:

A Cox  
C Havemann (resigned 20 April 2015)  
R M Reid  
A Skipwith (resigned 20 April 2015)  
K Roberts (resigned 20 April 2015)  
T Parsons  
C Francis

### **Directors' interests**

Details of the beneficial interests of Directors in the ordinary shares of the Company and of the Directors' share options are disclosed within note 9 of the financial statements.

### **Directors' indemnity provisions**

The Company carries directors' and officers' liability insurance whereby the insured are the directors or officers of the Company, or employees acting in a managerial or supervisory capacity in the Company. The insurance is provided to cover the reimbursement of the insured for loss sustained from any claim for wrongful acts in their capacity as directors and officers of the Company and to reimburse the Company for loss resulting from claims made against the insured for such wrongful acts.

### **Research and development**

The Company undertakes development activities which involve a planned investment in the building and enhancement of its website and applications. Development expenditure is capitalised as an intangible asset, only if the development costs can be measured reliably and the expenditure will generate future economic benefits in the form of cash flows to the Company.

### **Going concern**

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

The Company is still at an early stage of its corporate life cycle and is therefore investing in and building its brand. Continuing economic recovery in the UK makes continued growth in revenues uncertain as trade members' spend on job acquisition may reduce.

The directors manage this risk by reviewing the rolling 12 month cash flow forecasts prepared by management, and assessing any requirement to flex discretionary expenditure (the major component of which is marketing targeted at building the Rated People brand) as necessary based on these cash flow forecasts and current trading.

The directors believe these forecasts support that the Company will be able service the loan facilities and operate within their covenant requirements, and notwithstanding the net liabilities position of December 2015, the directors believe there is sufficient cash in place to meet all liabilities as they fall due. The directors are confident that the Company has adequate resources to continue in operational existence for at least twelve months from the date of signing these financial statements. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

# **Rated People Limited**

## **Directors' Report for the year ended 31 December 2015**

### **Board governance**

The Board currently meets monthly. The Board is responsible, among other things, for strategy, budget, performance, approval of major capital expenditure and the framework of internal controls.

### **Board committees**

The board consists of 4 directors and there are no subcommittees in place.

### **Auditor**

The Company's auditor for the period to 31 December 2015 was KPMG LLP. The Company's auditors for the period to 31 December 2014, Deloitte LLP, resigned during the period.

### **Disclosure of information to auditor**

The directors confirm that:

- So far as each director is aware, there is no relevant audit information of which the Company's auditor is not aware; and
- The directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

### **Results and Dividends**

The Statement of total comprehensive income is set out on page 10. The Company's loss for the financial year after taxation was £1,744,236 (2014: loss of £4,162,829).

The Directors do not recommend the payment of a dividend (2014: £nil)

### **Share Capital**

Information relating to changes to the issued share capital during the year is given in note 20 to the financial statements.

The Company is funded by ordinary and preference share capital. In addition the company has loan financing with a carrying value of £1.45m (2014:£1.83m)

### **Events after the reporting period**

As detailed in note 29 of the financial statements, in April 2016, the Company authorised, issued and fully paid 83,488 Ordinary Shares of £0.01 at a subscription price of £27.33 per share.

On behalf of the Board on 21 April 2016



Adrian Cox  
Chairman



## **Rated People Limited**

### **Directors' responsibilities**

The directors are responsible for preparing the Strategic Report, the 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 they have elected to prepare the financial statements in accordance with IFRSs as adopted by the EU and applicable law.

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 company and of the profit or loss of the company 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 estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; 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 company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

# **Independent auditor's report to the members of Rated People Limited**

We have audited the financial statements of Rated People Limited for the year ended 31 December 2015 which comprise the statement of total comprehensive income, the statement of financial position, the statement of changes in equity, the cash flow statement, and the related notes 1 to 29. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

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

## **Respective responsibilities of directors and auditor**

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

## **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

## **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## **Opinion on other matter prescribed by the Companies Act 2006**

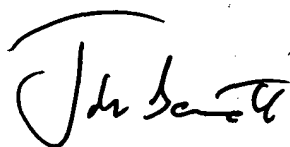
In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Independent auditor's report to the members of Rated People Limited

### Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.



John Bennett (Senior Statutory Auditor)  
for and on behalf of KPMG LLP, Statutory Auditor

*Chartered Accountants*  
15 Canada Square  
London  
EC14 5GL

21 April 2016

**Rated People Limited**  
**Statement of total comprehensive income**  
For the year ended 31 December 2015

	Note	2015 £	2014 £
Revenue	5	11,307,781	13,255,205
Cost of sales		(4,463,031)	(4,082,681)
<b>Gross profit</b>		<u>6,844,750</u>	<u>9,172,524</u>
Administrative expenses		(8,687,919)	(14,126,280)
<b>Operating loss</b>	6	<u>(1,843,169)</u>	<u>(4,953,756)</u>
<b>Operating loss before one-off costs and share based payment expense</b>		(841,361)	(2,970,604)
One-off costs	7	(331,649)	(1,193,218)
Share based payment expense		(670,159)	(789,934)
<b>Operating loss</b>		<u>(1,843,169)</u>	<u>(4,953,756)</u>
Finance income	10	3,023	654,388
Finance costs	10	(217,777)	(257,095)
<b>Loss before tax</b>		<u>(2,057,923)</u>	<u>(4,556,463)</u>
Tax	11	313,687	393,634
<b>Loss and total comprehensive loss for the year</b>		<u><u>(1,744,236)</u></u>	<u><u>(4,162,829)</u></u>

All transactions are derived from continuing operations.

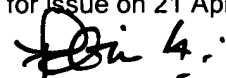
The notes on pages 14 to 40 form an integral part of these financial statements.

**Rated People Limited**  
**Statement of financial position**  
As at 31 December 2015

	Note	2015 £	2014 £
<b>Non-current assets</b>			
Intangible assets	12	14,667	29,333
Property, plant and equipment	13	214,870	326,513
Investments	14	-	3,522
Trade and other receivables	15	279,709	280,413
<b>Total non-current assets</b>		<u>509,246</u>	<u>639,781</u>
<b>Current assets</b>			
Trade and other receivables	15	894,715	770,941
Cash and bank balances	16	1,511,283	1,012,094
<b>Total current assets</b>		<u>2,405,998</u>	<u>1,783,035</u>
<b>Total assets</b>		<u><b>2,915,244</b></u>	<u><b>2,422,816</b></u>
<b>Current liabilities</b>			
Trade and other payables	19	(2,207,209)	(2,088,648)
Borrowings	17	-	(1,377,520)
Deferred revenue	25	(620,557)	(744,356)
<b>Total current liabilities</b>		<u>(2,827,766)</u>	<u>(4,210,524)</u>
<b>Net current liabilities</b>		<u><b>(421,768)</b></u>	<u><b>(2,427,489)</b></u>
<b>Non-current liabilities</b>			
Borrowings	17	(1,450,183)	(5,820,278)
<b>Total non-current liabilities</b>		<u>(1,450,183)</u>	<u>(5,820,278)</u>
<b>Total liabilities</b>		<u><b>(4,277,949)</b></u>	<u><b>(10,030,802)</b></u>
<b>Net liabilities</b>		<u><b>(1,362,705)</b></u>	<u><b>(7,607,986)</b></u>
<b>Equity</b>			
Share capital	20	2,317	2,270
Share premium account	21	11,415,210	9,705,229
Equity reserve		-	(4,548,807)
Other reserves		221,869	-
Retained earnings		(13,002,101)	(12,766,678)
<b>Total equity</b>		<u><b>(1,362,705)</b></u>	<u><b>(7,607,986)</b></u>

The notes on pages 14 to 40 form an integral part of these financial statements.

The financial statements of Rated People Limited were approved by the board of directors and authorised for issue on 21 April 2016. They were signed on its behalf by:



Adrian Cox

Chairman

## Rated People Limited

### Statement of changes in equity

	Share Capital £	Share Premium £	Equity Reserve £	Other Reserves £	Retained Earnings £	Total Equity £
<b>Balance at 1 January 2014</b>	1,772	4,201,670	(4,548,807)	-	(9,393,783)	(9,739,148)
Loss for the period	-	-	-	-	(4,162,829)	(4,162,829)
<b>Total comprehensive loss for the period</b>	-	-	-	-	(4,162,829)	(4,162,829)
Issue of share capital	498	5,503,559	-	-	-	5,504,057
Share based payments	-	-	-	-	789,934	789,934
<b>Balance at 31 December 2014</b>	2,270	9,705,229	(4,548,807)	-	(12,766,678)	(7,607,986)
Loss for the period	-	-	-	-	(1,744,236)	(1,744,236)
<b>Total comprehensive loss for the period</b>	-	-	-	-	(1,744,236)	(1,744,236)
Issue of share capital	19	1,709,981	-	-	-	1,710,000
Conversion of preference shares	28	-	4,548,807	-	838,654	5,387,489
Share based payments	-	-	-	-	670,159	670,159
Issue of warrants	-	-	-	221,869	-	221,869
<b>Balance at 31 December 2015</b>	2,317	11,415,210	-	221,869	(13,002,101)	(1,362,705)

The notes on pages 14 to 40 form an integral part of these financial statements.

**Rated People Limited**  
**Cash flow statement**  
For the year ended 31 December 2015

	Note	2015 £	2014 £
<b>Operating activities</b>			
Loss after tax		(1,744,236)	(4,162,829)
<i>Adjustments for:</i>			
Depreciation	6	123,429	96,710
Amortisation	6	14,666	14,667
Foreign exchange losses / (gains)	6	87,491	101,243
Financial income	10	(3,023)	(654,388)
Financial expense	10	217,777	257,094
Share based payment expense	23	670,159	789,934
Taxation (credit) / charge	11	(313,687)	(393,634)
<b>Operating cash flows before movements in working capital</b>		<b>(947,424)</b>	<b>(3,951,203)</b>
Increase in trade and other receivables		(266,720)	(310,327)
(Decrease) / increase in trade and other payables		(5,237)	214,069
<b>Cash used by operations</b>		<b>(1,219,381)</b>	<b>(4,047,461)</b>
Tax credit received		457,337	-
<b>Net cash used in operating activities</b>		<b>(762,044)</b>	<b>(4,047,461)</b>
<b>Investing activities</b>			
Interest received		3,023	1,333
Acquisition of property, plant and equipment		(11,786)	(303,489)
Acquisition of subsidiary		-	(3,522)
<b>Net cash used in investing activities</b>		<b>(8,763)</b>	<b>(305,678)</b>
<b>Financing activities</b>			
Repayments of borrowings		(320,424)	(948,992)
Interest paid		(119,580)	(251,473)
Proceeds on issue of shares		1,710,000	4,004,057
<b>Net cash from financing activities</b>		<b>1,269,996</b>	<b>2,803,592</b>
Net increase / (decrease) in cash and cash equivalents		499,189	(1,549,547)
Cash and cash equivalents at beginning of year		1,012,094	2,561,641
<b>Cash and cash equivalents at end of year</b>		<b>1,511,283</b>	<b>1,012,094</b>

The notes on pages 14 to 40 form an integral part of these financial statements.

# **Rated People Limited**

## **Notes to the financial statements**

For the year ended 31 December 2015

### **1. General information**

The Company is incorporated and domiciled in the United Kingdom under the Companies Act.

### **2. Adoption of new and revised Standards**

The accounting policies adopted are consistent with those of the previous financial year. During the year, the Company has adopted the following new and revised standards:

- Annual Improvements to IFRSs – 2010-2012 Cycle.
- Annual Improvements to IFRSs – 2011-2013 Cycle.

The adoption of these standards has had no impact on the Company's results and balance sheets in the current or prior years.

### **New Standards and interpretations not applied**

The following EU Endorsed IFRSs have been issued but have not been applied by the Company in these financial statements. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated:

- IFRS 9 Financial Instruments (effective date to be confirmed).
- IFRS 14 Regulatory Deferral Accounts (effective date to be confirmed).
- IFRS 15 Revenue from Contract with Customers (effective date to be confirmed). The Company continues to review the impact of this Standard.
- Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38 (effective date to be confirmed).
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (effective date to be confirmed).
- Annual Improvements to IFRSs – 2012-2014 Cycle (effective date to be confirmed).
- Disclosure Initiative – Amendments to IAS 1 (effective date to be confirmed).



# **Rated People Limited**

## **Notes to the financial statements**

For the year ended 31 December 2015

### **3. Significant accounting policies**

#### **Basis of accounting**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU.

The financial statements have been prepared on the historical cost basis, except for the valuation of certain financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for the assets. The principal accounting policies adopted are set out below.

The financial information is presented in Pounds Sterling (£), rounded to the nearest pound.

#### **Going concern**

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

The Company is still at an early stage of its corporate life cycle and is therefore investing in and building its brand. As such the Company is, at present, still loss making and reliant on the continued provision of existing loan financing. Continuing economic recovery in the UK makes continued growth in revenues uncertain as trade members' spend on job acquisition may reduce.

The directors manage this risk by reviewing the rolling 12 month cash flow forecasts prepared by management, and assessing any requirement to flex discretionary expenditure (the major component of which is marketing targeted at building the Rated People brand) as necessary based on these cash flow forecasts and current trading.

The directors believe these forecasts support that the Company will be able service the loan facilities and operate within their covenant requirements, and notwithstanding the net liabilities position of December 2015, the directors believe there is sufficient cash in place to meet all liabilities as they fall due. The directors are confident that the Company has adequate resources to continue in operational existence for at least twelve months from the date of signing these financial statements. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

# **Rated People Limited**

## **Notes to the financial statements**

For the year ended 31 December 2015

### **3. Significant accounting policies (continued)**

#### **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes.

The company derives revenue from two principal streams: transactional and subscription revenue. Revenue derived from lead and SMS purchases is transactional income and meets the revenue recognition criteria at the time of purchase. Lead revenue is recognised on successful purchase of a lead, less any inclusive or credit usage.

The company offers a number of membership tariffs, some of which include an element of free credit. Where payments are received from customers in advance of services provided in relation to membership, the amounts are recorded as deferred income. Where inclusive lead credit is included in a membership tariff, the appropriate membership revenue is calculated as the total value of the tariff net of any free lead credit associated with that particular tariff. Membership revenue is treated as deferred income and released to the Statement of total comprehensive income evenly throughout the membership period. The value of inclusive lead credit is recognised as deferred income and released to the Statement of total comprehensive income as and when leads are purchased by the trade member. Any other lead credit given to customers is also recognised as deferred income and released to the Statement of total comprehensive income as and when leads are purchased by the trade member.

Bad lead credits arise when tradespeople are unable to use the contact details paid for. The amount is deferred based on management's best estimate of the Company awarding free lead credits redeemable against future lead purchases to tradespeople. The value of the lead credit is based on the value of the lead purchased; the provision is included in deferred income and recognised in the respective accounting period.

#### **Leases**

Rentals payable under operating leases are charged to the Statement of total comprehensive income on a straight-line basis over the term of the relevant lease.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

#### **Foreign currencies**

The Company's functional and presentational currency is Pound Sterling. Transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each Statement of financial position date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in profit or loss in the period in which they arise.

#### **Retirement benefit costs**

The Company operates defined contribution pension schemes for directors and employees. Payments to the schemes are charged as an expense as they fall due.

#### **One-off items**

One-off items are those items that in management judgement should be disclosed separately by virtue of their size, nature or incidence to provide a better understanding of the financial performance of the Company. In determining whether an event or transaction is one-off, management considers qualitative as well as quantitative factors such as frequency or predictability of occurrence. One-off items include significant costs of restructuring and other costs that are considered to be non-recurring.

# **Rated People Limited**

## **Notes to the financial statements**

For the year ended 31 December 2015

### **3. Significant accounting policies (continued)**

#### **Taxation**

The tax expense represents the sum of the tax currently payable and deferred tax charge for the year.

##### Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the Statement of total comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the Statement of financial position date.

##### Deferred tax

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the statement of financial position differs to its tax base. Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised. The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting dates and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

Deferred tax assets and liabilities are not discounted.

#### **Property, plant and equipment**

Items of property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method, on the following bases:

Servers and computers	33 ⅓% per annum straight line
Fixtures and fittings	33 ⅓% per annum straight line

#### **Intangible assets**

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Website development costs are capitalised as an intangible asset. Development expenditure is capitalised only if all of the following conditions 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; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Expenditure being capitalised includes installation and set up costs of a new CRM system. Capitalised development expenditure is measured at cost less accumulated amortisation and any accumulated impairment loss. The deemed useful economic life is three years.

# **Rated People Limited**

## **Notes to the financial statements**

For the year ended 31 December 2015

### **3. Significant accounting policies (continued)**

#### **Financial instruments**

Financial assets and financial liabilities are recognised in the Company's Statement of financial position when the Company becomes a party to the contractual provisions of the instrument

#### ***Financial Assets***

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs.

The Company classifies its financial assets as loans and receivables.

#### ***Loans and receivables***

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

#### ***Effective interest method***

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at Fair Value through Profit and Loss (FVTPL).

#### ***Impairment of financial assets***

Financial assets are assessed for indicators of impairment at each period end. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

#### ***Financial liabilities and equity***

Debt and equity instruments (including warrants) are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

#### ***Financial liabilities***

Financial liabilities are classified as 'other financial liabilities'.

#### ***Other financial liabilities***

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

# **Rated People Limited**

## **Notes to the financial statements**

For the year ended 31 December 2015

### **3. Significant accounting policies (continued)**

#### ***Derecognition of financial liabilities***

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire.

#### ***Equity instruments***

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs or at the fair value of the equity instruments issued.

#### ***Share Capital***

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.

At 31 December 2015 the Company had two classes of ordinary shares, denominated as £0.01 ordinary shares and £0.0001 "B" ordinary shares, one class of preferred shares, denominated as £0.0001 "B" preferred shares and one class of deferred shares designated as £0.01 deferred shares. The Company's ordinary shares, preferred shares and deferred shares are classified as equity instruments.

#### ***Compound instruments***

The component parts of compound instruments issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured.

#### ***Share-based payments***

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market-based vesting conditions. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 23.

The fair value determined at the grant date of the equity-settled share-based payments is measured by the use of a Black-Scholes model, which takes into account conditions attached, is expensed on a graded vesting basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest. At each Statement of financial position date, the Company revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

**Rated People Limited**  
**Notes to the financial statements**  
For the year ended 31 December 2015

**3. Significant accounting policies (continued)**

**Equity**

Equity comprises the following:

- "Share capital" represents the nominal value of equity shares,
- "Share premium" represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of share issues;
- "Other reserves" comprise the equity reserve (in respect of compound financial instruments) and reserve in relation to warrants treated as equity instruments.
- "Retained earnings" represent cumulative total comprehensive income/(loss) at each year end.

**Warrants**

Warrants embedded in the Company's debt instruments allowing the lender to purchase shares in the capital of the Company are classified as either financial liabilities at fair value through profit or loss or as equity in accordance with the substance of the contractual arrangement. The expense is recognised in profit or loss over the life of the debt instrument.

# **Rated People Limited**

## **Notes to the financial statements**

For the year ended 31 December 2015

### **4. Critical accounting judgements and key sources of estimation uncertainty**

In the application of the Company's accounting policies, which are described in note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

#### **Fair value of financial instruments**

The Company determines the fair value of financial instruments that are not quoted, using valuation techniques. Those techniques are significantly affected by the assumptions used, including discount rates and estimates of future cash flows. In that regard, the derived fair value estimates cannot always be substantiated by comparison with independent markets and, in many cases, may not be capable of being realised immediately.

The market rate of interest is based upon management judgement of the interest rate of equivalent financial instruments at the time of recognition. The Company uses discounted cash flow model for determining the fair value of its financial instruments.

All of the financial instruments have been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

#### **Share based payments**

Share options are measured at their fair value utilising the Black-Scholes valuation model, which takes into account conditions attached to the vesting and exercise of the equity instruments. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

**Rated People Limited**  
**Notes to the financial statements**  
For the year ended 31 December 2015

**5. Revenue**

An analysis of the company revenue is as follows:

	2015 £	2014 £
Provision of online services	11,307,781	13,255,205
	<u>11,307,781</u>	<u>13,255,205</u>
Finance income	3,023	6,222
	<u>11,310,804</u>	<u>13,261,427</u>

All revenue is derived from activity in the UK.

**6. Operating loss**

The operating loss for the year has been arrived at after charging / (crediting):

	2015 £	2014 £
Net foreign exchange losses / (gains)	87,491	101,243
Depreciation of property, plant and equipment	123,429	96,710
Development costs amortisation	14,666	14,667
Share-based payments charges	670,159	609,829
Operating lease expenses	<u>270,155</u>	<u>206,747</u>

**7. One-off costs**

One-off costs are as follows:

	2015 £	2014 £
Staff restructuring costs	331,649	184,810
IPO related costs	-	1,008,408
	<u>331,649</u>	<u>1,193,218</u>



**Rated People Limited**  
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**8. Auditor's remuneration**

The analysis of the auditor's remuneration is as follows:

	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
Fees payable to the company's auditor and their associates for the audit of the company's annual accounts	22,000	25,000
<b>Total audit fees</b>	<u>22,000</u>	<u>25,000</u>
Taxation compliance services	5,000	-
Other taxation advisory services	36,250	-
Corporate financial services	-	551,626
<b>Total non-audit fees</b>	<u>41,250</u>	<u>551,626</u>

In 2015 no services were provided pursuant to contingent fee arrangements. All amounts in 2014 were charged by the previous auditors, Deloitte LLP.

**9. Staff costs**

The average monthly number of employees (including executive directors) was:

	<b>2015</b>	<b>2014</b>
	<b>Number</b>	<b>Number</b>
Admin, support and marketing	20	20
Technology	34	31
Directors	4	7
	<u>58</u>	<u>58</u>

**Rated People Limited**  
**Notes to the financial statements**  
For the year ended 31 December 2015

**9. Staff costs (continued)**

Their aggregate remuneration comprised:

	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
Wages and salaries	3,527,513	3,059,384
Social security costs	404,215	360,168
Pension costs	49,500	58,388
	<u>3,981,228</u>	<u>3,477,940</u>

Information regarding directors' remuneration is as follows:

	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
Wages and salaries	539,863	495,371
Benefits in kind	295	1,302
Pension costs	18,002	9,430
	<u>558,160</u>	<u>506,103</u>

Included within the above are the following amounts relating to the highest paid Director:

	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
Wages and salaries	204,375	175,000
Benefits in kind	-	935
Pension	1,750	6,002
	<u>206,125</u>	<u>181,937</u>

During the year the company made pension contributions of £18,002 on behalf of Directors (2014: £9,430).

No Directors exercised options to purchase shares during the year ended 31 December 2015 (2014: 343 shares).

**Rated People Limited**  
**Notes to the financial statements**  
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**10. Finance income and expenses**

	2015 £	2014 £
<b>Finance income</b>		
Interest income on bank deposits	3,023	6,222
Fair value adjustment	-	648,166
Total finance income	<u>3,023</u>	<u>654,388</u>
<b>Finance expense</b>		
Interest on loans	(217,777)	(257,095)
Total finance expense	<u>(217,777)</u>	<u>(257,095)</u>

Finance income for 2014 includes an amount of £468,060 credited to the statement of total comprehensive income as a result of revising the expected date of redemption of issued preferred shares and an amount of £180,105 credited to the statement of total comprehensive income as a result of an adjustment to the fair value of warrants.

**11. Tax**

	2015 £	2014 £
<b>Corporation tax:</b>		
Current year tax credit	(250,000)	(213,989)
Adjustment to prior years	(63,687)	(179,645)
	<u>(313,687)</u>	<u>(393,634)</u>

The Company does not currently recognise deferred taxation, due to the uncertainty of future taxable profits against which losses may be offset.

# Rated People Limited

## Notes to the financial statements

For the year ended 31 December 2015

### 11. Tax (continued)

The tax credit for the year can be reconciled to the loss in the Statement of total comprehensive income as follows:

	2015 £	2014 £
Loss before tax on continuing operations	(2,057,923)	(4,556,463)
Tax at the standard UK corporation tax rate of 20.25% (2014: 21.49%)	(416,659)	(979,327)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	7,234	172,628
Other differences	135,703	131,113
Additional deduction for R&D expenditure	(193,933)	(382,665)
Surrender of tax losses for R&D tax credit refund	349,079	688,795
Adjustments to tax charge in respect of previous periods	(63,683)	-
Temporary differences not recognised in the computation	-	(312)
Deferred tax not recognised	104,195	382,765
Tax credit on R&D expenditure	(250,000)	(393,634)
Change in other unrecognised deferred tax	14,377	(12,997)
Tax credit for the year	<u>(313,687)</u>	<u>(393,634)</u>

The tax credit on R&D expenditure of £250,000 (2014: £393,634) is in respect of allowable R&D tax expenditure under the SME R&D tax credit scheme, of which nil (2014: £179,645) relates to R&D expenditure incurred in prior years.

In recent years the UK Government has steadily reduced the rate of UK corporation tax, with the latest rates substantively enacted in July 2013 now standing at 20% with effect from 1 April 2015. The closing deferred tax assets and liabilities have been calculated at 20% in accordance with the rates enacted at the balance sheet date.

In the Budget on 8 July 2015, the UK Government proposed, amongst other things, to further reduce the main rate of UK corporation tax to 19% with effect from 1 April 2017. In the Budget on 16 March 2016, the UK Government proposed to further reduce the main rate of UK corporation tax to 17% with effect from 1 April 2020.

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**12. Intangible assets**

	<b>Website development £</b>
<b>Cost</b>	
At 1 January 2014, 31 December 2014 and 31 December 2015	<u>71,873</u>
<b>Amortisation</b>	
At 1 January 2014	27,873
Charge for the year	<u>14,667</u>
At 31 December 2014	42,540
Charge for the year	<u>14,666</u>
At 31 December 2015	<u>57,206</u>
<b>Carrying amount</b>	
At 31 December 2013	<u>44,000</u>
At 31 December 2014	<u>29,333</u>
At 31 December 2015	<u>14,667</u>

The amortisation period for development costs incurred on the company's website development is 3 years.

**Rated People Limited**  
**Notes to the financial statements**  
For the year ended 31 December 2015

**13. Property, plant and equipment**

	<b>Servers and computers £</b>	<b>Fixtures and fittings £</b>	<b>Total £</b>
<b>Cost</b>			
At 1 January 2014	130,928	133,193	264,121
Additions	26,904	276,585	303,489
At 31 December 2014	157,832	409,778	567,610
Additions	10,621	1,165	11,786
At 31 December 2015	168,453	410,943	579,396
<b>Accumulated depreciation</b>			
At 1 January 2014	64,850	79,537	144,387
Charge for the year	45,032	51,678	96,710
At 31 December 2014	109,882	131,215	241,097
Charge for the year	30,141	93,288	123,429
At 31 December 2015	140,023	224,503	364,526
<b>Carrying amount</b>			
At 31 December 2013	66,078	53,656	119,734
At 31 December 2014	47,950	278,563	326,513
At 31 December 2015	28,430	186,440	214,870

**14. Investments**

<b>Name of subsidiary</b>	<b>Principal activity</b>	<b>Place of incorporation and operation</b>	<b>Proportion of ownership interest and voting power held by the group</b>
Rated Technology Hellas Single Member Ltd	Software development	Greece	100%

The investments in subsidiaries are all stated at cost.

On 15 April 2014 the Company incorporated a 100% subsidiary in Greece with company number 11.698 which traded under the name 'Rated Technology Hellas Single Member Ltd' for the purposes of software development. On 26 May 2015 this entity was dissolved. The Company has taken the materiality exemption under s.405 of the Companies Act 2006 and has not prepared consolidated accounts.

**Rated People Limited**  
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**15. Trade and other receivables**

**Non-current**

	2015	2014
	£	£
Other receivables	279,709	280,413
	<u>279,709</u>	<u>280,413</u>

**Current**

	2015	2014
	£	£
Trade receivables	69,678	114,458
Research and development tax relief	250,000	393,634
Other receivables	314,271	100,960
Prepayments	260,766	161,889
	<u>894,715</u>	<u>770,941</u>

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

Other receivables include nil (2014: £87,720) relating to rent deposits on leases due to expire within one year, and £279,709 (2014: £280,413) due to expire after more than one year from the balance sheet date. Other receivables also includes £300,000 held on deposit with the Company's chosen provider of payment acquiring services.

**16. Cash and cash equivalents**

	2015	2014
	£	£
Cash at bank	<u>1,511,283</u>	<u>1,012,094</u>

The carrying amounts of cash and cash equivalents approximate their fair values at the Statement of financial position date and are denominated in the following currencies:

	2015	2014
	£	£
UK Sterling	1,500,340	885,833
US Dollar	10,943	126,261
	<u>1,511,283</u>	<u>1,012,094</u>

**Rated People Limited**  
**Notes to the financial statements**  
For the year ended 31 December 2015

**17. Borrowings**

	2015	2014
	£	£
Cumulative preferred shares	-	5,368,553
Loans	1,450,183	1,829,245
	<u>1,450,183</u>	<u>7,197,798</u>
Amount due for settlement within 12 months	-	1,377,520
Amount due for settlement after 12 months	<u>1,450,183</u>	<u>5,820,278</u>

As part of the loan, in 2012 and 2013 the Company issued warrant options over a variable number of shares. These have been treated as a derivative financial liability and the fair value as at 31 December 2014 was determined to be £150,391. During the year the terms of these warrants were amended to fix the number of shares covered (and the amount of cash to purchase these shares) and as such the fair value has been transferred to equity.

On 21 April 2015, in order to restructure the repayment terms of the loans, the Company issued further warrant options that enable the lender to purchase fixed amount of shares for the fixed amount of cash during 10 year period. These have been treated as equity instrument and the fair value of £71,478 was credited to other reserves. The expense is amortized over the life of the loans.

At 31 December 2015, 20,251 ordinary shares were under warrant and the options covered by these warrants expire between 8 and 10 years following the statement of financial position date.

Preferred shares were converted into deferred shares during the year (see note 20), consequently the liability was derecognized and credited to equity.

The loans are secured by fixed and floating charges over the assets of the Company.

Analysis of borrowings by currency:

	Sterling	US dollars	Total
	£	£	£
31 December 2015			
Loans	-	1,450,183	1,450,183
	<u>-</u>	<u>1,450,183</u>	<u>1,450,183</u>
31 December 2014			
Cumulative preferred shares	5,368,553	-	5,368,553
Loans	-	1,829,245	1,829,245
	<u>5,368,553</u>	<u>1,829,245</u>	<u>7,197,798</u>



**Rated People Limited**  
**Notes to the financial statements**  
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**18. Deferred tax**

The deferred tax asset is made up as follows:

	2015	2014
	£	£
Tax losses carried forward	(1,568,716)	(1,629,126)
Fixed assets	1,329	23,657
Other temporary differences	5,622	(12,114)
Less: deferred tax assets not recognised	1,561,765	1,617,583
	<u>-</u>	<u>-</u>

The total deferred tax asset in respect of these amounts has not been recognised as there is insufficient evidence for their future recovery.

**19. Trade and other payables**

	2015	2014
	£	£
Trade payables	1,036,030	1,400,197
VAT payables	243,038	135,465
Taxation and social security	113,857	123,115
Accruals	804,600	429,871
Other payables	9,684	-
	<u>2,207,209</u>	<u>2,088,648</u>

The Directors consider that the carrying amount of trade payables approximates to their fair value.

All trade and other payables are due within 12 months.

**Rated People Limited**  
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**20. Share capital**

	2015 £	2014 £
Issued and fully paid:		
174,216 (2014: 174,056) Ordinary shares of £0.01 each	1,743	1,741
278,807 (2014: nil) B Ordinary Shares of £0.0001	28	-
52,920 (2014: nil) Deferred Shares of £0.01 each	529	-
170,472 (2014: nil) B Preferred Shares of £0.0001	17	-
Nil (2014: 52,920) Preference Shares of £0.01	-	529
	<u>2,317</u>	<u>2,270</u>

On 20 April 2015, the holders of Preferred Shares of £0.01 converted all Preferred Shares to Deferred Shares. As a result, the carrying amount of the liability component of preferred shares as at the date of conversion was reclassified to equity. On the same date the sum of £27.8707 was capitalised and applied by the directors of the Company in paying up in full 278,707 B Ordinary Shares of £0.0001 which were allotted and issued to the holders of Deferred Shares. On the same date the Company created a new class of share, B Preferred Shares of £0.0001, and authorised, issued and fully paid 170,472 B Preferred Shares at a subscription price of £10 per share.

During the year, 160 (2014: 49,766) ordinary shares of 1p each were issued for a total consideration of £5,280 (2014: £5,504,057).

Options have been granted under the Company's Enterprise Management Incentive (EMI) option scheme to subscribe for ordinary shares of the Company. Further details are provided in note 23.

Events after the balance sheet date affecting share capital are disclosed in note 29.

Ordinary shares and preferred shares carry one vote per share. Deferred shares carry no voting rights.

In the event of liquidation, capital reduction, sale, initial public offering or otherwise, the assets of the Company remaining after payment of its liabilities are allocated first to preferred shareholders in paying the subscription price of each preferred share. Thereafter, the balance of the Company's assets is distributed amongst all ordinary and preferred shareholders in proportion of the number of shares held.

**21. Share premium**

	2015 £	2014 £
Balance at 1 January	9,705,229	4,201,670
Premium arising on issue of equity shares	1,709,981	5,503,559
Balance at 31 December	<u>11,415,210</u>	<u>9,705,229</u>

**Rated People Limited**  
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**22. Operating lease arrangements**

	2015 £	2014 £
Lease payments under operating leases recognised as an expense in the year	<u>270,155</u>	<u>206,747</u>

At the Statement of financial position date, the Company has committed to making the following payments which fall due as follows:

	2015 £	2015 £	2014 £	2014 £
	Property	Plant and Equipment	Property	Plant and Equipment
Within one year	310,788	2,532	310,788	2,532
In the second to fifth years inclusive	1,166,517	5,612	1,477,305	8,144
	<u>1,477,305</u>	<u>8,144</u>	<u>1,788,093</u>	<u>10,676</u>

**23. Share based payments**

**Equity-settled share option scheme**

The Company operates an Enterprise Management Incentive (EMI) Scheme. The weighted average exercise price for the options granted during the year is presented in the table below. If the options remain unexercised after a period of ten years from the date of grant the options expire. The options may not be exercised if the employee no longer holds employment or has given or received notice of termination. There is no cash settlement of the options.

Details of the share options outstanding during the year are as follows:

	2015	2015	2014	2014
	Number of share options	Weighted average exercise price £	Number of share options	Weighted average exercise price £
Outstanding at beginning of period	34,981	35.99	30,390	86.64
Granted during the period	174,135	0.01	16,678	88.54
Forfeited / cancelled during the period	(34,821)	35.99	(11,744)	76.91
Exercised during the period	(160)	33.00	(343)	12.03
Outstanding at the end of the period	<u>174,135</u>	<u>0.01</u>	<u>34,981</u>	<u>35.99</u>
Exercisable at the end of the period	<u>29,736</u>	<u>0.01</u>	<u>15,493</u>	<u>39.75</u>
Modified during the period	7,024	33.00	33,572	35.93

# Rated People Limited

## Notes to the financial statements

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### 23. Share based payments (continued)

The fair value of the options granted is estimated at the grant date using a Black Scholes pricing model, taking into account the terms and conditions upon which the options were granted.

The weighted average share price at the date of exercise for share options exercised during the period was £33.00 (2014: £111.28)

The options outstanding at 31 December 2015 had a weighted average exercise price of £0.01 (2014: £35.99), and a weighted average remaining contractual life of 10 years (2014: 9 years).

In 2015, options were granted on 20 July 2015, 27 July 2015, 3 August 2015, 20 October 2015 and 14 December 2015. The aggregate of the estimated fair values of the options granted on those dates is £1,742,166. In 2014, options were granted on 23 January 2014, 21 May 2014, 22 May 2014, 27 May 2014, 29 May 2014, 20 October 2014, 21 October 2014, 22 October 2014 and 23 October 2014. The aggregate of the estimated fair values of the options granted on those dates is £740,302.

	2015	2014
Weighted average share price	10.00	111.28
Weighted average exercise price	0.01	88.54
Expected volatility	30%	30%
Expected life	10 years	10 years
Risk-free rate	1.71%	2.57%
Expected dividend yields	0%	0%

Expected volatility and expected life used in the model are based on management's best estimate and are adjusted for the effects of non-transferability, exercise restrictions, and behavioural considerations. The risk free rate is based on that of 10 year UK government bond yield.

The Company recognised total expense of £670,159 (2014: £789,935) related to equity-settled share-based payment transactions with employees.

### 24. Retirement benefit schemes

#### Defined contribution schemes

The company operates a defined contribution retirement benefit scheme. The assets of the schemes are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund.

The total cost charged to the Statement of total comprehensive income of £49,500 (2014: £58,388) represents contributions payable to the scheme by the company. As at 31 December 2015, contributions of £9,056 (2014: £10,072) due in respect of the current reporting period had not been paid over to the scheme.

# Rated People Limited

## Notes to the financial statements

For the year ended 31 December 2015

### 25. Deferred revenue

	2015	2014
	£	£
Arising from provision of online services	620,557	744,356
Current	620,557	744,356
Non-current	-	-

The deferred revenue arises as a result of tradespeople paying for membership and lead credit in advance. Where free lead credit is included in a membership tariff, the value of the membership is calculated net of the free lead credit awarded, and is recognised as deferred revenue released evenly throughout the length of the membership period. Free lead credit purchased is recognised as deferred revenue and released as it is used to buy job leads.

### 26. Financial Instruments

#### Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the bases for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in note 3.

#### Financial risk management objectives

The Company's Finance function monitors and manages the financial risks relating to the operations of the Company. These risks include credit risk, liquidity risk and market risk (including foreign exchange risk).

#### (a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Company is mainly exposed to credit risk from recovering the amounts owed from an intermediary in relation to customer transactions which are received with an average two day lead time. At 31 December 2015 the Company had credit risk on trade and other receivables of £649,387 (2014: £394,871).

The Company's policy and objectives in relation to credit risk is to minimise the likelihood that the Company will experience financial loss due to counterparty failure and to ensure that in the event of any single loss, the failure of any single counterparty would not materially impact the financial wellbeing of the Company.

The Company does not have a significant exposure to credit risk to tradespeople. The Company's payment system mitigates credit risk by requiring that customers pay via card online payment to minimise the risk of non-payment.

Although almost all customer payments are received via an intermediary, the Company would be able to engage an alternative provider should the intermediary withhold payment. The Company provides its services to a wide range of customers in the UK and therefore believes there is no concentration of credit risk to any single counterparty.

The Directors are unaware of any factors affecting the recoverability of outstanding balances at 31 December 2015 and consequently no provisions have been made for bad and doubtful debts.

**Rated People Limited**  
**Notes to the financial statements**  
For the year ended 31 December 2015

**26. Financial Instruments (continued)**

**(a) Credit risk (continued)**

Ageing of trade and other receivables:

	2015 £	2014 £
Not past due	69,678	114,458

**(b) Liquidity risk**

Liquidity risk is the risk that the Company will not meet its financial obligations that are settled by delivering cash as they fall due. The Company's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due.

The Company's revenue model is subscription and transaction-based, which results in a regular level of cash conversion allowing it to service working capital requirements in addition to debt finance.

The Company ensures that it has sufficient cash on demand to meet expected operational expenses. To achieve this aim, it seeks to maintain cash balances to meet expected requirements for a period of at least 30 days (2014: 30 days).

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows. The contractual maturity is based on the earliest date on which the Company may be required to pay.

	Interest rate	Less than 1 month £	1-3 months £	3 months to 1 year £	1 - 5 years £	More than 5 years £	Total £
<b>31 December 2014</b>							
Non-interest bearing		1,041,057	359,140	-	-	-	1,400,197
Fixed interest instruments	12.00%	113,686	227,373	947,565	442,512	-	1,731,136
		<u>1,154,743</u>	<u>586,513</u>	<u>947,565</u>	<u>442,512</u>	<u>-</u>	<u>3,131,333</u>
<b>31 December 2015</b>							
Non-interest bearing		830,310	1,376,899	-	-	-	2,207,209
Fixed interest instruments	12.00%	7,692	15,385	69,231	1,742,258	-	1,834,566
		<u>838,002</u>	<u>1,392,284</u>	<u>69,231</u>	<u>1,742,258</u>	<u>-</u>	<u>4,041,775</u>

**Rated People Limited**  
**Notes to the financial statements**  
For the year ended 31 December 2015

**26. Financial Instruments (continued)**

**(c) Market risk**

Market risk is the risk that changes in market prices such as foreign exchange and interest rates will affect the Company's income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

**Foreign exchange risk**

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates primarily with respect to US Dollars. The Company is predominantly exposed to currency risk on borrowings and cash deposits denominated in US Dollars.

The foreign currency exposure where the Company's financial assets / (liabilities) are not denominated in the functional currency is shown below. Foreign exchange differences on retranslation of these assets and liabilities are taken to the income statement.

	<b>Liabilities</b>		<b>Assets</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
US Dollar	(1,505,166)	(1,829,245)	10,943	126,261

*Sensitivity analysis*

A 10% weakening of the following currencies against the functional currency of the Company at 31 December 2015 would have increased equity and profit or loss by the amounts shown below.

This calculation assumes that the change occurred at the Statement of financial position date and had been applied to the risk exposures existing at that date.

This analysis assumes that all other variables, in particular other exchange rates and interest rates, remain constant.

	<b>USD Impact</b>	
	<b>2015</b>	<b>2014</b>
	<b>£</b>	<b>£</b>
Profit or loss impact	135,838	141,145

A 10% strengthening of the above currency against the Sterling at 31 December 2015 would have had the equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

**Rated People Limited**  
**Notes to the financial statements**  
For the year ended 31 December 2015

**26. Financial Instruments (continued)**

**(c) Market risk (continued)**

**Interest rate risk**

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments was:

	2015	2014
	£	£
Financial assets	1,290,340	875,833
Financial liabilities	(1,672,052)	(7,197,798)
	<u>(381,712)</u>	<u>(6,321,965)</u>

*Sensitivity analysis*

All Company's financial assets and liabilities are at fixed rate at the Statement of financial position date.

**(d) Capital risk management**

The Company manages its capital to ensure that entities in the Company will be able to continue as going concerns while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Company consists of net debt, which includes the borrowings disclosed in note 16 after deducting cash and cash equivalents, and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in notes 20 and 21. All working capital requirements are financed from existing cash resources. There are no externally exposed capital requirements.

	Liabilities measured at amortised cost 2015 £	Liabilities measured at amortised cost 2014 £
Preference share valuation	-	468,060
Foreign exchange (losses) / gains	(87,491)	(101,243)
Interest cost	(198,841)	(257,094)
Net result	<u>(286,332)</u>	<u>109,723</u>

	Liabilities at fair value through profit and loss 2015 £	Liabilities at fair value through profit and loss 2014 £
Warrant valuation	-	(180,105)
Net result	<u>-</u>	<u>(180,105)</u>



# **Rated People Limited** **Notes to the financial statements** For the year ended 31 December 2015

## **26. Financial Instruments (continued)** **(e) Categories of financial instruments**

To the extent financial instruments are not carried at fair value in the statement of financial position, book value approximates to fair value at 31 December 2015 and 31 December 2014.

Cash and cash equivalents are held in sterling and US dollar and placed on deposit in UK banks.

Loans and receivables are initially measured at fair value and subsequently at amortised cost. Book values and expected cash flows are reviewed by the Board and any impairment charged to the statement of comprehensive income in the relevant period.

Trade and other payables initially are measured at fair value and subsequently at amortised cost.

Other borrowings including liability component of preferred shares and convertible loan notes are classified as other financial liabilities and measured at fair value through profit and loss.

## **(f) Net gains and losses from financial instruments**

Net gains and losses from financial instruments comprise the results of valuations, amortisation of discounts, the recognition and derecognition of impairment losses, results from the translation of foreign currencies, interest, and all other effects on profit or loss of financial statements.

## **27. Related party transactions**

	2015	2014
	£	£
Provision of directors' services	26,000	26,000

The fees were paid to Frog Capital Fund I LP for the provision of key management personnel services. Frog Capital is a related party as a shareholder.

At the Statement of financial position date £26,000 was outstanding (2014: nil).

## **Remuneration of key management personnel**

The remuneration of the directors, who are the key management personnel of the Company, is set out below in aggregate for each of the categories specified in IAS 24 *Related Party Disclosures*. Further information about the remuneration of individual directors is provided in note 9.

	2015	2014
	£	£
Short-term employee benefits	438,533	496,673
Termination benefits	-	66,083
Pension contributions	18,002	6,002
Share-based payment expense	502,188	402,275
	958,723	971,033

The Company did not make any advances, credits or guarantees to directors or other key management personnel.

**Rated People Limited**  
**Notes to the financial statements**  
For the year ended 31 December 2015

**28. Control**

The Directors consider that the Company does not have one overall controlling party as the voting rights of the highest individual shareholding are below 50%.

**29. Events after the reporting period**

In April 2016, the Company authorised, issued and fully paid 83,488 Ordinary Shares of £0.01 at a subscription price of £27.33 per share.