

Company Registration No. 05540422 (England and Wales)

**Rated People Limited**  
**Annual Report and Financial Statements**  
**for the year ended 31 December 2016**

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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 2016**

The Directors present their Strategic Report for Rated People Limited (the Company) for the financial year ended 31 December 2016.

### **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, in order to achieve our mission of bringing together good tradespeople and good homeowners to deliver Better Homes, Better Work, Better Lives.

### **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. Trade members also receive other benefits through the Company's member benefits programme.

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 to jobs posted by homeowners in their respective trade and geographic coverage areas. 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, providing advice and information relating to home improvement and maintenance and 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. The key strategic goals for the business are to reinforce market leadership, increase the base of quality tradespeople, and improve and broaden our interfaces to both our homeowners and tradespeople.

Revenue for the year increased by 1% from £11.308m to £11.448m as the company successfully grew its membership base. Due to additional investment in sales and marketing, product experience and tech capability in order to address the strategic goals of the Company, the operating loss before one-offs and share based payment expense increased from (£0.753m) to (£2.926m). In order to fund the investment in the Company an equity raise of £2.9m was completed during the year.

The net liability position of the Company grew to £1,504,535 (2015: £1,362,705) with losses for the year slightly ahead of equity funding raised.

# Rated People Limited

## Strategic Report for the year ended 31 December 2016

### 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 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	The Company continues to review and update 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
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 early 2017 the US dollar denominated loan was repaid
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 and proposition 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 2016**

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

A handwritten signature in black ink, appearing to be 'Th' or similar, written over a horizontal line.

Tim Parsons  
Director  
20 April 2017

# **Rated People Limited**

## **Directors' Report for the year ended 31 December 2016**

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 2016.

### **Directors**

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

A Cox  
R M Reid  
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 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 business is funded by equity investments and a debt facility that has no associated financial covenants (refer to note 28).

The Directors have prepared cash flow projections for a period of 12 months based on plans approved by the Board. The plan assumes assumptions over revenue growth based on the results achieved in the second half of the year ended 31 December 2016 and in the first quarter of 2017. Based on the projections, and the planned investment in marketing and people to grow the business, the Company expects to operate within current facilities available to it over this period. Indeed, the plan assumes that no further equity or loan funds will be required.

The Directors have considered potential downside scenarios, including a position where the forecast revenue growth rates fall short of their targeted levels. Based on planned mitigating action, including reducing discretionary spend such as marketing expense, the Directors consider that there is sufficient headroom against the available facilities.

# **Rated People Limited**

## **Directors' Report for the year ended 31 December 2016**

### **Board governance**

The Board currently meets every 2 months. 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 2016 and the period to 31 December 2015 was KPMG LLP.

### **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 £3,524,901 (2015: loss of £1,744,236).

The Directors do not recommend the payment of a dividend (2015: £nil)

### **Share Capital**

Information relating to changes to the issued share capital during the year is given in note 19 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 £1.89m (2015: £1.45m)

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

As detailed in note 28 of the financial statements, in February 2017, the Company refinanced its loan financing.

On behalf of the Board on 20 April 2017



Tim Parsons  
Director

## **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 2016 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 28. 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 2016 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.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

# **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

20 April 2017

**Rated People Limited**  
**Statement of total comprehensive income**  
For the year ended 31 December 2016

	Note	2016 £	2015 £
Revenue	5	11,447,722	11,307,781
Cost of sales		(5,026,767)	(4,463,031)
<b>Gross profit</b>		<b>6,420,955</b>	<b>6,844,750</b>
Administrative expenses		(9,892,934)	(8,600,429)
<b>Operating loss</b>	6	<b>(3,471,979)</b>	<b>(1,755,679)</b>
<b>Operating loss before one-off costs and share based payment expense</b>		<b>(2,926,002)</b>	<b>(753,871)</b>
One-off costs	7	-	(331,649)
Share based payment expense		(545,977)	(670,159)
<b>Operating loss</b>		<b>(3,471,979)</b>	<b>(1,755,679)</b>
Finance income	10	4,176	3,024
Finance costs	10	(459,749)	(305,268)
<b>Loss before tax</b>		<b>(3,927,552)</b>	<b>(2,057,923)</b>
Tax	11	402,651	313,687
<b>Loss and total comprehensive loss for the year</b>		<b>(3,524,901)</b>	<b>(1,744,236)</b>

All transactions are derived from continuing operations.

The notes on pages 14 to 39 form an integral part of these financial statements.

**Rated People Limited**  
**Statement of financial position**  
As at 31 December 2016

	Note	2016 £	2015 £
<b>Non-current assets</b>			
Intangible assets	12	258,634	14,667
Property, plant and equipment	13	138,003	214,870
Trade and other receivables	14	279,709	279,709
<b>Total non-current assets</b>		<u>676,346</u>	<u>509,246</u>
<b>Current assets</b>			
Trade and other receivables	14	1,283,055	894,715
Cash and bank balances	15	1,232,538	1,511,283
<b>Total current assets</b>		<u>2,515,593</u>	<u>2,405,998</u>
<b>Total assets</b>		<u><b>3,191,939</b></u>	<u><b>2,915,244</b></u>
<b>Current liabilities</b>			
Trade and other payables	18	(2,086,230)	(2,207,209)
Borrowings	16	(596,031)	-
Deferred revenue	24	(721,761)	(620,557)
<b>Total current liabilities</b>		<u>(3,404,022)</u>	<u>(2,827,766)</u>
<b>Net current liabilities</b>		<u><b>(888,429)</b></u>	<u><b>(421,768)</b></u>
<b>Non-current liabilities</b>			
Borrowings	16	(1,292,452)	(1,450,183)
<b>Total non-current liabilities</b>		<u>(1,292,452)</u>	<u>(1,450,183)</u>
<b>Total liabilities</b>		<u><b>(4,696,474)</b></u>	<u><b>(4,277,949)</b></u>
<b>Net liabilities</b>		<u><b>(1,504,535)</b></u>	<u><b>(1,362,705)</b></u>
<b>Equity</b>			
Share capital	19	2,857	2,317
Share premium account	20	14,251,235	11,415,210
Other reserves		221,869	221,869
Retained earnings		(15,980,496)	(13,002,101)
<b>Total equity</b>		<u><b>(1,504,535)</b></u>	<u><b>(1,362,705)</b></u>

The notes on pages 14 to 39 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 20 April 2017. They were signed on its behalf by:



Tim Parsons  
Director

## 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 2015</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)
Loss for the period	-	-	-	-	(3,524,901)	(3,524,901)
<b>Total comprehensive loss for the period</b>	-	-	-	-	(3,524,901)	(3,524,901)
Issue of share capital	1,069	2,836,025	-	-	-	2,837,094
Redemption of deferred shares	(529)	-	-	-	529	-
Share based payments	-	-	-	-	545,977	545,977
<b>Balance at 31 December 2016</b>	2,857	14,251,235	-	221,869	(15,980,496)	(1,504,535)

The notes on pages 14 to 39 form an integral part of these financial statements.

**Rated People Limited**  
**Cash flow statement**  
For the year ended 31 December 2016

	Note	2016 £	2015 £
<b>Operating activities</b>			
Loss after tax		(3,524,901)	(1,744,236)
<i>Adjustments for:</i>			
Depreciation	6	116,358	123,429
Amortisation	6	14,666	14,666
Financial income	10	(4,176)	(3,023)
Financial expense	10	459,749	305,268
Share based payment expense	22	545,977	670,159
Taxation credit	11	(402,651)	(313,687)
<b>Operating cash flows before movements in working Capital</b>		<b>(2,794,978)</b>	<b>(947,424)</b>
Increase in trade and other receivables		(179,301)	(266,720)
Decrease in trade and other payables		(19,773)	(5,237)
<b>Cash used by operations</b>		<b>(2,994,052)</b>	<b>(1,219,381)</b>
Tax credit received		253,299	457,337
<b>Net cash used in operating activities</b>		<b>(2,740,753)</b>	<b>(762,044)</b>
<b>Investing activities</b>			
Interest received		4,176	3,023
Acquisition of property, plant and equipment		(39,491)	(11,786)
Acquisition of intangible assets		(258,634)	-
<b>Net cash used in investing activities</b>		<b>(293,949)</b>	<b>(8,763)</b>
<b>Financing activities</b>			
Repayments of borrowings		-	(320,424)
Interest paid		(99,919)	(119,580)
Proceeds on issue of shares, net of issuance costs		2,837,094	1,710,000
<b>Net cash from financing activities</b>		<b>2,737,175</b>	<b>1,269,996</b>
Net (decrease) / increase in cash and cash equivalents		(297,527)	499,189
Foreign exchange gain on USD cash holding		18,782	-
Cash and cash equivalents at beginning of year		1,511,283	1,012,094
<b>Cash and cash equivalents at end of year</b>		<b>1,232,538</b>	<b>1,511,283</b>

The notes on pages 14 to 39 form an integral part of these financial statements.

# **Rated People Limited**

## **Notes to the financial statements**

For the year ended 31 December 2016

### **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 – 2012-2014 Cycle.
- Amendments to IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation

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 1 January 2018).
- IFRS 15 Revenue from Contract with Customers (effective date 1 January 2018). The Company continues to review the impact of this Standard.
- IFRS 16 Leases (effective date to be confirmed). This standard provides a new model for lease accounting in which all leases, other than short-term and low-value leases, will be accounted for by the recognition on the balance sheet of a right-to-use asset and a lease liability, and the subsequent amortisation of the right-to-use asset over the lease term. As a result, the Company's recognised assets and liabilities will increase and the presentation and timing of recognition of certain amounts in the income statement will be affected.
- Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses (effective date to be confirmed).
- Amendments to IAS 7: Disclosure Initiative (effective date to be confirmed).
- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions (effective date to be confirmed).

# **Rated People Limited**

## **Notes to the financial statements**

For the year ended 31 December 2016

### **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 business is funded by equity investments and debt facility that has no associated financial covenants (refer to note 28).

The Directors have prepared cash flow projections for a period of 12 months based on plans approved by the Board. The plan assumes assumptions over revenue growth based on the results achieved in the second half of the year ended 31 December 2016 and in the first quarter of 2017. Based on the projections, and the planned investment in marketing and people to grow the business, the Company expects to operate within current facilities available to it over this period. Indeed, the plan assumes that no further equity or loan funds will be required.

The Directors have considered potential downside scenarios, including a position where the forecast revenue growth rates fall short of their targeted levels. Based on planned mitigating action, including reducing discretionary spend such as marketing expense, the Directors consider that there is sufficient headroom against the available facilities.

# **Rated People Limited**

## **Notes to the financial statements**

For the year ended 31 December 2016

### **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 (subscription revenue), 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 2016

### **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 which is the period over which the economic benefits are expected to be generated.

# **Rated People Limited**

## **Notes to the financial statements**

For the year ended 31 December 2016

### **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.

#### *Derivative financial instruments*

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

# **Rated People Limited**

## **Notes to the financial statements**

For the year ended 31 December 2016

### **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 2016 the Company had two classes of ordinary shares, denominated as £0.01 ordinary shares and £0.0001 "B" ordinary shares and one class of preferred shares, denominated as £0.0001 "B" preferred shares. The Company's ordinary shares and preferred 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 22.

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 2016

**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 2016

**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.

**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 2016

**5. Revenue**

An analysis of the company revenue is as follows:

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Provision of online services	<u>11,447,722</u>	<u>11,307,781</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):

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Depreciation of property, plant and equipment	116,358	123,429
Development costs amortisation	14,666	14,666
Share-based payments charges	545,977	670,159
Operating lease expenses	<u>270,155</u>	<u>270,155</u>

**7. One-off costs**

One-off costs are as follows:

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Staff restructuring costs	<u>-</u>	<u>331,649</u>
	<u>-</u>	<u>331,649</u>

**Rated People Limited**  
**Notes to the financial statements**  
For the year ended 31 December 2016

**8. Auditor's remuneration**

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

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Fees payable to the company's auditor and their associates for the audit of the company's annual accounts	22,800	22,000
<b>Total audit fees</b>	<b>22,800</b>	<b>22,000</b>
Taxation compliance services	4,500	5,000
Other taxation advisory services	8,500	36,250
<b>Total non-audit fees</b>	<b>13,000</b>	<b>41,250</b>

**9. Staff costs**

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

	<b>2016</b>	<b>2015</b>
	<b>Number</b>	<b>Number</b>
Admin, support and marketing	25	20
Technology	36	34
Directors	4	4
	<b>65</b>	<b>58</b>

**Rated People Limited**  
**Notes to the financial statements**  
For the year ended 31 December 2016

**9. Staff costs (continued)**

Their aggregate remuneration comprised:

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Wages and salaries	3,863,988	3,527,513
Social security costs	448,775	404,215
Pension costs	86,534	49,500
	<u>4,399,297</u>	<u>3,981,228</u>

Information regarding directors' remuneration is as follows:

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Wages and salaries	327,225	539,863
Benefits in kind	-	295
Pension costs	9,545	18,002
	<u>336,770</u>	<u>558,160</u>

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

	<b>2015</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Wages and salaries	177,625	204,375
Benefits in kind	-	-
Pension	5,329	1,750
	<u>182,954</u>	<u>206,125</u>

During the year the company made pension contributions of £9,545 on behalf of Directors (2015: £18,002).

No Directors exercised options to purchase shares during the year ended 31 December 2016 (2015: none).

**Rated People Limited**  
**Notes to the financial statements**  
For the year ended 31 December 2016

**10. Finance income and expenses**

	2016 £	2015 £
<b>Finance income</b>		
Interest income on bank deposits	4,176	3,024
Total finance income	<u>4,176</u>	<u>3,024</u>
<b>Finance expense</b>		
Interest on loans	(232,069)	(217,777)
Net foreign exchange loss (including fair value gain on forward exchange contracts of 66,425 (2015: nil))	(227,680)	(87,491)
Total finance expense	<u>(459,749)</u>	<u>(305,268)</u>

**11. Tax**

	2016 £	2015 £
Corporation tax:		
Current year tax credit	(399,352)	(250,000)
Adjustment to prior years	(3,299)	(63,687)
	<u>(402,651)</u>	<u>(313,687)</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 2016

**11. Tax (continued)**

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

	2016	2015
	£	£
Loss before tax on continuing operations	(3,927,552)	(2,057,923)
Tax at the standard UK corporation tax rate of 20% (2015: 20.25%)	(785,510)	(416,659)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	10,486	7,234
Additional deduction for R&D expenditure	(311,339)	(193,933)
Surrender of tax losses for R&D tax credit refund	550,830	349,079
Adjustments to tax charge in respect of previous periods	(3,299)	(63,683)
Deferred tax not recognised	430,050	104,195
Tax credit on R&D expenditure	(399,352)	(250,000)
Change in other unrecognised deferred tax	1,621	14,377
Other differences	103,862	135,703
Tax credit for the year	<u>(402,651)</u>	<u>(313,687)</u>

The tax credit on R&D expenditure of £399,352 (2015: £250,000) is in respect of allowable R&D tax expenditure under the SME R&D tax credit scheme.

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.

**Rated People Limited**  
**Notes to the financial statements**  
For the year ended 31 December 2016

**12. Intangible assets**

	<b>Development costs £</b>
<b>Cost</b>	
At 1 January 2015, 31 December 2015	71,873
Additions in the year	<u>258,634</u>
<b>At 31 December 2016</b>	<u>330,507</u>
<b>Amortisation</b>	
At 1 January 2015	42,540
Charge for the year	<u>14,666</u>
At 31 December 2015	57,206
Charge for the year	<u>14,667</u>
At 31 December 2016	<u>71,873</u>
<b>Carrying amount</b>	
At 31 December 2014	<u>29,333</u>
At 31 December 2015	<u>14,667</u>
At 31 December 2016	<u><u>258,634</u></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 2016

**13. Property, plant and equipment**

	<b>Servers and computers £</b>	<b>Fixtures and fittings £</b>	<b>Total £</b>
<b>Cost</b>			
At 1 January 2015	157,832	409,778	567,610
Additions	10,621	1,165	11,786
At 31 December 2015	168,453	410,943	579,396
Additions	37,820	1,671	39,491
At 31 December 2016	206,273	412,614	618,887
<b>Accumulated depreciation</b>			
At 1 January 2015	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
Charge for the year	22,510	93,848	116,358
At 31 December 2016	162,533	318,351	480,884
<b>Carrying amount</b>			
At 31 December 2014	47,950	278,563	326,513
At 31 December 2015	28,430	186,440	214,870
At 31 December 2016	43,740	94,263	138,003

**Rated People Limited**  
**Notes to the financial statements**  
For the year ended 31 December 2016

**14. Trade and other receivables**

**Non-current**

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Other receivables	279,709	279,709
	<u>279,709</u>	<u>279,709</u>

**Current**

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Trade receivables	158,264	69,678
Research and development tax relief	399,352	250,000
Other receivables	313,198	314,271
Forward exchange contracts	66,425	-
Prepayments	345,816	260,766
	<u>1,283,055</u>	<u>894,715</u>

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

Other receivables include £279,709 (2015: £279,709) due to expire after more than one year from the balance sheet date. Other receivables also includes £300,000 (2015: £300,000) held on deposit with the Company's chosen provider of payment acquiring services.

The Company has forward exchange contracts to purchase USD 675,000 during 2017. The fair value of these contracts was £66,425 (asset) and is presented in trade and other receivables.

**15. Cash and cash equivalents**

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Cash at bank	<u>1,232,538</u>	<u>1,511,283</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:

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
UK Sterling	1,065,258	1,500,340
US Dollar	167,280	10,943
	<u>1,232,538</u>	<u>1,511,283</u>

**Rated People Limited**  
**Notes to the financial statements**  
For the year ended 31 December 2016

**16. Borrowings**

	2016 £	2015 £
Loans	1,888,483	1,450,183
	<u>1,888,483</u>	<u>1,450,183</u>
Amount due for settlement within 12 months	596,031	-
Amount due for settlement after 12 months	<u>1,292,452</u>	<u>1,450,183</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 2015 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 and 31 December 2016 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.

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

Analysis of borrowings by currency:

	US dollars £	Total £
31 December 2016		
Loans	1,888,483	1,888,483
	<u>1,888,483</u>	<u>1,888,483</u>
31 December 2015		
Loans	1,450,183	1,450,183
	<u>1,450,183</u>	<u>1,450,183</u>

**Rated People Limited**  
**Notes to the financial statements**  
For the year ended 31 December 2016

**17. Deferred tax**

The deferred tax asset is made up as follows:

	2016	2015
	£	£
Tax losses carried forward	(1,857,755)	(1,568,716)
Fixed assets	(24,521)	1,329
Other temporary differences	39,634	5,622
Less: deferred tax assets not recognised	1,842,642	1,561,765
	<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.

**18. Trade and other payables**

	2016	2015
	£	£
Trade payables	1,031,682	1,036,030
VAT payables	332,326	243,038
Taxation and social security	133,513	113,857
Accruals	570,434	804,600
Other payables	18,277	9,684
	<u>2,086,232</u>	<u>2,207,209</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**  
**Notes to the financial statements**  
For the year ended 31 December 2016

**19. Share capital**

	2016 £	2015 £
Issued and fully paid:		
281,196 (2015: 174,216) Ordinary shares of £0.01 each	2,812	1,743
278,807 (2015: 278,807) B Ordinary Shares of £0.0001	28	28
Nil (2015: 52,920) Deferred Shares of £0.01 each	-	529
170,472 (2015: 170,472) B Preferred Shares of £0.0001	17	17
	<u>2,857</u>	<u>2,317</u>

During the year, 106,978 (2015: 160) ordinary shares of 1p each were issued for a total consideration of £2,896,716 (2015: £5,280), of which 988 were issued due to the exercise of share options under the Company's Enterprise Management Incentive (EMI) option scheme.

On 28 June 2016, all deferred shares in the capital of the Company were redeemed subject to the issue of new ordinary shares.

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 22.

Ordinary shares and preferred shares carry one vote per share.

In the event of a share sale or asset sale the net proceeds of the sale after payment of costs and liabilities associated with the such sale 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.

**20. Share premium**

	2016 £	2015 £
Balance at 1 January	11,415,210	9,705,229
Premium arising on issue of equity shares	2,895,702	1,709,981
Costs to issue the shares	(59,677)	-
Balance at 31 December	<u>14,251,235</u>	<u>11,415,210</u>

**Rated People Limited**  
**Notes to the financial statements**  
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**21. Operating lease arrangements**

	2016 £	2015 £
Lease payments under operating leases recognised as an expense in the year	270,155	270,155

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

	2016 £	2016 £	2015 £	2015 £
	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	854,878	3,073	1,166,517	5,612
More than five years	-	-	-	-
	<u>1,165,666</u>	<u>5,605</u>	<u>1,477,305</u>	<u>8,144</u>

**22. 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:

	2016	Weighted average exercise price £	2015	Weighted average exercise price £
	Number of share options		Number of share options	
Outstanding at beginning of period	174,135	0.01	34,981	35.99
Granted during the period	13,111	7.38	174,135	0.01
Forfeited / cancelled during the period	(7,278)	0.01	(34,821)	35.99
Exercised during the period	(988)	0.01	(160)	33.00
Outstanding at the end of the period	<u>178,980</u>	<u>0.55</u>	<u>174,135</u>	<u>0.01</u>
Exercisable at the end of the period	<u>71,369</u>	<u>0.01</u>	<u>29,736</u>	<u>0.01</u>
Modified during the period	-	-	7,024	33.00

# Rated People Limited

## Notes to the financial statements

For the year ended 31 December 2016

### 22. 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 £0.01 (2015: £33.00)

The options outstanding at 31 December 2016 had a weighted average exercise price of £0.55 (2015: £0.01), and a weighted average remaining contractual life of 9 years (2015: 10 years).

In 2016, options were granted on 8 August 2016. The aggregate of the estimated fair values of the options granted on those dates is £277,167. 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.

	2016	2015
Weighted average share price	27.33	10.00
Weighted average exercise price	7.38	0.01
Expected volatility	30%	30%
Expected life	10 years	10 years
Risk-free rate	1.23%	1.71%
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 £545,977 (2015: £670,159) related to equity-settled share-based payment transactions with employees.

### 23. 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 £86,534 (2015: £49,500) represents contributions payable to the scheme by the company. As at 31 December 2015, contributions of £15,492 (2015: £9,056) 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 2016

## **24. Deferred revenue**

	2016	2015
	£	£
Arising from provision of online services	721,761	620,557
Current	721,761	620,557
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.

## **25. 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 2016 the Company had credit risk on trade and other receivables of £751,171 (2015: £649,387).

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 2016 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 2016

**25. Financial Instruments (continued)**

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

Ageing of trade and other receivables:

	2016	2015
	£	£
Not past due	96,609	69,678

**(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 (2015: 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 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
		838,002	1,392,284	69,231	1,742,258	-	4,041,775
<b>31 December 2016</b>							
Non-interest bearing		481,122	1,605,110	-	-	-	2,086,232
Fixed interest instruments	12.00%	56,233	112,466	506,096	1,456,864	-	2,131,659
		537,355	1,717,576	506,096	1,456,864	-	4,217,891

# Rated People Limited

## Notes to the financial statements

For the year ended 31 December 2016

### 25. 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. This is based on the carrying amount for monetary financial instruments except derivatives when it is based on notional amounts

#### US Dollar

	2016	2015
	£	£
Borrowings	(1,898,483)	(1,505,166)
Cash and cash equivalents	167,281	10,943
Forward exchange contracts	548,691	-
<b>Net exposure</b>	<b>(1,182,511)</b>	<b>(1,494,223)</b>

#### Sensitivity analysis

A 10% weakening of the following currencies against the functional currency of the Company at 31 December 2016 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.

	USD Impact	
	2016	2015
	£	£
Profit or loss impact	118,251	149,422

A 10% strengthening of the above currency against the Sterling at 31 December 2016 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 2016

**25. 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:

	2016	2015
	£	£
Financial assets	1,055,158	1,290,340
Financial liabilities	(1,888,482)	(1,672,052)
	<u>(833,324)</u>	<u>(381,712)</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.

**(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 2016 and 31 December 2015.

Fair value for forward exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds). Forward exchange contracts are categorised as Level 2 financial instruments in a fair value hierarchy.

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.

# Rated People Limited

## Notes to the financial statements

For the year ended 31 December 2016

### 26. Related party transactions

	2016	2015
	£	£
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 no amounts were outstanding (2015: £26,000).

### 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.

	2016	2015
	£	£
Short-term employee benefits	327,225	438,533
Pension contributions	9,545	18,002
Share-based payment expense	292,903	502,188
	629,673	958,723

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

### 27. 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%.

### 28. Events after the reporting period

On 24 February 2017 the Company restructured its debt financing, securing a new loan facility of up to £3.5m, with interest of 10.5% and a repayment term of 3 years. On the same date the Company drew down £2.5m of the finance available under this facility leaving £1m committed and undrawn. Repayments of the principal amount borrowed commence 9 months following the drawdown date.

There are no financial covenants attached to this facility.