RETAIL MONEY MARKET LTD

Annual Report and Consolidated Financial Statements

For the year ended 31 March 2019

Registered number: 07075792

RETAIL MONEY MARKET LTD

Annual report and consolidated financial statements for the year ended 31 March 2019

Contents

RETAIL MONEY MARKET LTD

Officers and professional advisors

Directors

P V F S Manduca	(Chairman and Non-executive director)
A R Lewis	(Chief Executive Officer)
I D Boyce	(Non-executive director)
S J Bridges	(Non-executive director; appointed 01/09/18)
J W G Gunner	(Non-executive director; resigned 09/04/19)
P W E Behrens	
H J T Russell	

Registered office

6th Floor
55 Bishopsgate
London
EC2N 3AS

Independent auditor

Ernst & Young LLP
25 Churchill Place
London
E14 5EY

RETAIL MONEY MARKET LTD

Chairman's statement

I am pleased to present my second annual report for Retail Money Market Ltd (t/a RateSetter).

During the year RateSetter returned to growth. We expanded our customer base and our core revenue. This progress is particularly positive against the backdrop of the uncertain political environment which, inevitably, has made investors cautious.

Our view is that peer-to-peer lending is becoming a mainstream investment activity and that RateSetter is well placed at the forefront of this development. We have always pursued a differentiated model in peer-to-peer lending, with a focus on an investor product that seeks to be lower risk, liquid and sustainable and a borrower business that is diversified.

We welcomed the conclusion of the FCA's Post-Implementation Review of the industry and believe the enhanced regulation will only build confidence in peer-to-peer as a mainstream financial services product.

The business continues to deliver for its growing customer base. We are proud of having facilitated over £3.3 billion of finance to individuals and businesses and that our track record of ensuring no investor has lost money on our platform is now nearly into its tenth year.

Our financial results have improved. Consistent investor inflows have led to a rise in loans under management and a rise in loan origination capacity. We have simplified our borrower offering, focussing on our core markets. We continue to simplify our investor product, always with the objective of being the lowest risk and most liquid peer-to-peer investment proposition. We have built out operations in our Leicester office and expanded the team there. These initiatives position the business well to benefit from the operational leverage inherent in the platform model.

The take-up of the RateSetter ISA in the period has been positive. Over £250m is now invested in the RateSetter ISA and over one in three of our investors now has an ISA with us. We believe we are the leading provider of the Innovative Finance ISA.

Underpinning our growth is our focus on risk management, operational integrity and regulatory compliance.

In December 2018 we completed a £15 million capital raise from existing shareholders. This was to strengthen our balance sheet and to enable investments in technology, credit capabilities, people and brand marketing. We continually review our financial position to ensure RateSetter meets its financial obligations and is able to invest where productive.

I am delighted that RateSetter received the Queen's Award for Enterprise in the Innovation category. Receiving such a prestigious award is not only testament to the hard work of the team at RateSetter but also an important recognition of the progress being made by the business and evidence that its innovation is delivering for customers.

The Board works closely with management and is pleased with the progress made over the last twelve months to grow and improve the business and to move towards profitability.

I would like to thank Jim Gunner, who retired from the Board in April 2019, for his significant contribution to the development of RateSetter's risk function over the last three years.

Finally, I would like to express my sincere thanks to the shareholders and the employees of RateSetter for their valued support during the last year.

Paul Manduca
Chairman
25 September 2019

The directors present their Strategic report for Retail Money Market Ltd ("the Company") and its subsidiaries (together "the Group" or "RateSetter") for the year ended 31 March 2019.

Review of the business

Our purpose

RateSetter's purpose is to make lending a mainstream asset class that is widely accessible to all investors.

The principal activity of the Group is peer-to-peer lending, facilitating loans between investors and borrowers via the RateSetter platform. The Group seeks to offer an attractive risk-adjusted return to investors and competitive loans to borrowers. The majority of transactions are conducted via the RateSetter website and the Group is committed to delivering a simple and accessible platform.

Our customers

The Group seeks a diversified customer base of both investors and borrowers.

The majority (99% as at 31 March 2019) of the loans under management were funded by individuals investing directly with RateSetter, either inside or outside an ISA. These investors will always be the core customer base of RateSetter. The Group has in the past and may in the future seek corporate and institutional participation on its platform as well as introducing "intermediated retail" – namely money from individuals but managed by wealth managers or other accounts. RateSetter believes that its product can become a part of any investor's diversified portfolio, however they access the platform.

The borrowers are a mix of individuals and businesses, with loan originations during this financial year split 74% and 26%, respectively. The core borrower markets of the Group are consumer, property and asset finance loans.

Our business model

RateSetter seeks to open the asset class of lending to everyone. This asset class sits between the safety of a cash deposit and the volatility of an equity investment.

Revenues arise principally from fees charged to borrowers, comprising upfront loan origination fees and ongoing loan management fees.

RateSetter manages its investors' exposure to credit risk in two ways. Firstly, RateSetter performs the initial credit assessment seeking to approve only creditworthy borrowers (in line with the Group's risk appetite) and then manages the loans throughout their term, including repayment and recovery. Secondly, RateSetter manages a Provision Fund to provide investors with a buffer against losses.

The Provision Fund also provides an efficient form of diversification by virtue of the fact that all investors are covered by the Provision Fund and, as such, their risk is based on the performance of the whole portfolio of loans. The Provision Fund provides protection limited to the value of the assets held in the Provision Fund at any point in time. In the event that assets in the Provision Fund are insufficient to cover losses, investors are exposed to a loss of interest and potentially a loss of capital. Although the track record of the Provision Fund is such that, to date, individual investors have always received their interest and capital in full and on time, it is not a guarantee and investors are not covered by the Financial Services Compensation Scheme.

The strength of the Provision Fund is expressed by an estimated "Coverage Ratio". This is calculated by dividing the size of the Provision Fund by the Expected Loss over the lifetime of the loans.

- The size of the Provision Fund is its current assets (as shown in Note 15) plus its future contracted income to be received from borrowers (reflecting their risk score and discounted to take into account income that may not ultimately be received due to early repayment or non-payment by the borrower). The Group invests a proportion of the Provision Fund cash in fixed income securities and investments, which are held at fair value.

- The Expected Loss is calculated on a loan-by-loan scorecard-based approach with consideration given to both historical trends and early performance indicators which enables any changes in the portfolio to be identified on a timely basis. The Expected Loss is calculated on a full lifetime loss basis, which is different to the IFRS 9 standard approach. Future economic uncertainty is currently not factored into the Expected Loss but is taken into account by the buffer over 100% that RateSetter currently seeks to achieve. The assumptions underpinning the Expected Loss calculation are reviewed quarterly. RateSetter will start considering Expected Loss under wider industry standards in order to further enhance comparability. At the time of this report the Coverage Ratio was 126%.

Key events during the year

The Group has continued to invest in infrastructure, technology and people. The Group's average headcount reduced to 213 employees during the year ended 31 March 2019 (2018: 233 employees) reflecting the restructuring in the prior year. There were a number of key events and milestones during the year:

- April 2018: sale of two subsidiaries, DMNB Limited and POQ Media Ltd, accelerating the Group's exit from non-core operations.
- June 2018: milestone of generating £100 million in interest for the Group's investors since inception.
- July 2018: FCA publishes Consultation Paper (CP18/20) with the findings and proposed changes arising from its post-implementation review (PIR) of its regulation of the crowdfunding sector. See Post Balance Sheet Events.
- December 2018: the Group completed a capital raise of £15 million to strengthen the Group's balance sheet and for future investment.
- January 2019: milestone of lending more than £3 billion to individuals and businesses across the UK since inception.

Results and performance

The results of the Group for the year, as set out on page 11, show a loss on ordinary activities before tax of £8.3m (2018: £26.7m loss) and a shareholders' surplus of £4.8m (2018: £5.7m deficit).

During the year, the Group re-valued its unrestricted investments which has resulted in a gain of £4.0m.

The Board monitors the progress of the Group by reference to the following KPIs:

	2019	2018
Number of active investors as at 31 March	55,800	44,441
Loans under management as at 31 March	£854.6m	£700.0m
Core revenue for the year*	£29,663,580	£25,495,435
Loss before tax for the year	(£8,259,819)	(£26,730,550)

** Core revenue comprises revenues generated from the Group's financial intermediary services (see Note 4).*

The growth in active investors (+26%) reflects the take-up of the RateSetter ISA and continuing progress towards making peer-to-peer lending a mainstream investment activity.

Loans under management (+22%) and core revenue (+16%) grew from increased investor inflows and thus the ability to increase loan originations.

The improvement in the loss before tax (+£18.5m) was driven by improved performance of the core business, a significant reduction (£5.9m) in administrative expenses following a simplification of the business and no exceptional items (£13.5m in 2018).

Risks and uncertainties

The Group strategically focuses on a sustainable business model evidenced by:

- Development of a wide investor base with no reliance on a single investor;
- Development of a diverse range of borrower channels with no reliance on a single channel; and,
- Taking a significant part of its revenue over the lifetime of the loans as opposed to all upfront in order to build a recurring revenue base and to lower reliance on transactional revenue.

Risk management lies at the centre of the business and the Group recognises its effectiveness is key to its reputation. The Group has developed a strong risk management framework which includes:

Board Committees

- A Board Risk Committee, with an independent Non-Executive as chair, to oversee and provide assurance and recommendations to the Board in respect of its risks and risk management; and
- A Board Audit Committee, with an internal audit function provided by Grant Thornton, to support the committee and to provide an independent assessment of the effectiveness of the Group's internal controls.

Executive Committees and Compliance function

- An Executive Credit Committee to monitor the credit performance of borrowers and to review Expected Losses;
- An Executive Operations Committee to monitor operational performance across the business;
- An Executive Client Money Committee to ensure that the business is compliant with the Client Money rules; and
- A compliance function to oversee and supervise the compliance and regulatory risks of the business as well as providing a monitoring and testing programme of the compliance risks faced by the business.

Management of credit and liquidity risks associated with borrowers via the RateSetter platform

- A clearly defined "Credit Risk Framework and Risk Appetite" policy;
- Specialist skills in credit underwriting and monitoring;
- The segregation of responsibilities for the origination and the credit assessment of loans; and
- The balancing of supply and demand on the RateSetter platform to ensure sufficient liquidity for investors.

In addition, the Group is exposed to and manages the following risks:

Operational: the risk of financial loss or reputational damage resulting from inadequate or failed internal processes, people or systems or from external events including financial crime. The Group maintains robust operational systems and controls and has invested heavily in building up its capabilities for the next stage of growth. In particular, the Group has invested to make its IT infrastructure resilient and well-protected against cyber-crime. To mitigate specific fraud risk, the Group continues to invest in anti-fraud specialists and anti-fraud tools as well as being a member of Cifas, the UK's fraud prevention service.

Conduct: the risk of detriment to the Group's customers due to the inappropriate execution of its business activities and processes. The Group mitigates conduct risk by observing and tracking activities which affect customers, monitoring customer complaints and implementing any mitigations or process improvements required. The Group also seeks to be as transparent as possible in all its activities. The Group's business model is transparently explained on RateSetter's website and RateSetter publishes a range of historical and current data to inform customers of the performance of the Group and the underlying loan portfolio. RateSetter investors are reminded that their capital is at risk and that early access to their money is not guaranteed.

Credit: the risk that the Group's receivables are subject to borrower default. As part of the acquisition of two motor finance businesses in May 2017, the Group took on the loan portfolios associated with these two businesses. The Group is managing the unwind of these two loan portfolios with its existing credit risk team and the performance of these portfolios is monitored carefully. The directors do not consider holding loans as principal to be a core part of the operations of the business and, therefore, expect that this risk will continue to reduce as the loan book amortises before being eliminated entirely.

Market: the risk of financial losses to the Group through asset or liability positions sensitive to changes in market prices, interest rates or foreign exchange rates. The Group's equity investment in RateSetter Australia Pty Limited exposes the Group to the fluctuation of the Australian Dollar against Pound Sterling and to changes in the fair value of the investment. The Group seeks to mitigate this risk by monitoring any movements and reviewing the potential risk on a regular basis. Indirectly, the Group bears some interest rate risk from the secondary market rates on the platform. The Group allows its investors to exit from their lending, subject to there being a replacement investor, but bears the interest rate risk associated with any change in the rates resulting from the replacement of an investor. Any financial exposure arising from this risk is reflected on the Group's balance sheet as an onerous contract provision. The basis for the calculation of this provision is disclosed within Note 2. The Group monitors this on a regular basis and also charges exit fees to offset this risk. The Group is not obliged to facilitate the secondary market should there be insufficient supply of new investors and so can withdraw the ability for investors to exit their lending at which point the risk is mitigated.

Liquidity: the direct risk that the Group is not able to meet its financial obligations as they fall due. The Group's liquidity position is monitored and reviewed on an ongoing basis by the directors. As at 31 March 2019, the RateSetter Group had borrowings of £28.6m with £8.6m repayable in the year to 31 March 2020 and the remainder to be repaid monthly by 31 August 2024.

Regulatory: The Group is open and proactive with its regulators and monitors any changes in the regulatory environment that might impact the business, including the FCA consultation on the peer-to-peer sector. See Post Balance Sheet Events.

Post Balance Sheet Events

In June 2019, the FCA announced the conclusion of their consultation on the peer-to-peer sector, which will result in the introduction of stronger regulation, in particular to bring areas such as risk management and governance in line with the wider financial services industry. This will mean that the peer-to-peer sector is regulated on a par with other mainstream savings and investment choices. The most noticeable change will be for individuals who use peer-to-peer platforms for the first time, who will initially be limited to investing ten percent of their net investable assets. This new requirement corresponds with how a lot of our investors use our platform, starting with a small balance and growing as they gain in experience and confidence. Management have considered the other changes proposed by the FCA and do not believe they will have a material impact on the business. We believe that the new regulation will increase confidence in peer-to-peer lending as a mainstream financial product and trigger a wave of new investors to consider what percentage of their diversified savings and investment portfolio they might have in peer-to-peer lending.

Future Developments

The Group will continue to focus on growing responsibly and productively, expanding its investor and borrower base.

This report was approved by the Board of directors and signed on behalf of the Board by:

A R Lewis
Chief Executive Officer
25 September 2019

RETAIL MONEY MARKET LTD

Directors' report for the year ended 31 March 2019

The directors present their report and the audited financial statements of the Group for the year ended 31 March 2019.

Principal activity

The principal activity of the Group throughout the year was peer-to-peer lending, acting as a financial intermediary to match investors and borrowers via the RateSetter platform. The Strategic report on pages 3-5 contains a review of the performance of the Group during the year and provides information on the development of the Group's business.

Future developments

Expected future developments in the business of the Group are discussed in the Strategic report. The directors expect the activities of the Group to remain unchanged for the foreseeable future.

Dividend

The directors do not propose a dividend in respect of the year ended 31 March 2019 (2018: £nil).

Directors

The directors of the Group who each served during the year and up to the date of this report (unless stated below) were:

P V F S Manduca	(Chairman and Non-executive director)
A R Lewis	(Chief Executive Officer)
I D Boyce	(Non-executive director)
S J Bridges	(Non-executive director; appointed 01/09/2018)
J W G Gunner	(Non-executive director; resigned 09/04/2019)
P W E Behrens	
H J T Russell	

Disclosure of information to the auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that so far as that director is aware, there is no relevant audit information of which the Group's auditor is unaware and they have taken all the steps that ought to have been taken as a director to be aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

Going concern

The underlying performance of the Group continues to improve and the directors are confident that the Group will continue to grow the value of its loans under management; driving further revenue growth in the future. However, the Group is currently loss making and forecasts show that the Group will generate a cumulative loss during the 18 month period to 31 March 2021 ("the Forecast Period") before forecasts indicate moving into a position of sustained profitability thereafter.

The Group's forecasts show that:

- The Group will retain sufficient cash to meet its liabilities throughout the Forecast Period;
- The Company will continue to meet its regulatory capital requirements throughout the Forecast Period; and
- The Group will move into a net liability position before the end of the current financial year.

Dependent on the Group's performance relative to these forecasts, it may need to raise additional capital to return the Group to a net asset position and to continue to meet regulatory capital requirements. Given the current market conditions, regulatory environment and macro-economic uncertainty, there is a risk that the Group may not be able to execute on its business plan and consequently not achieve its forecasts, which may adversely impact the Group's ability to raise sufficient capital to return the Group to a net asset position and meet future regulatory capital requirements.

As a result, the directors recognise that a material uncertainty exists that casts significant doubt upon the ability of the Group and the Company to continue as a going concern.

Notwithstanding this uncertainty, the directors remain confident that the Group will be able to achieve its business plan and raise capital if required based on:

- Their confidence in the potential of the peer-to-peer sector;
- The Group's status as one of the leaders in the sector and its differentiated business model; putting it in a favourable position relative to peers to take advantage of further opportunities; and
- The significant improvement in the underlying performance of the business; showing steady growth in the value of loans under management and plans for further improvements in the future.

Given these factors and having considered the risks and uncertainties to which the Group's business model is exposed, the directors expect that the Group will have sufficient financial resources to meet its obligations (including regulatory capital requirements) for the foreseeable future (being a period of at least twelve months from the date of this report). Consequently, the directors have concluded that it remains appropriate to continue to adopt the going concern basis of accounting in the preparation of the financial statements.

This report was approved by the Board of directors and signed on behalf of the Board by:

A R Lewis
Chief Executive Officer
25 September 2019

Directors' responsibilities statement

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 the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the comprehensive income of the Group for that period. In preparing these financial statements, International Accounting Standard 1 requires that the directors:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's or the Company's financial position and the Group's performance; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group or the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Opinion

We have audited the consolidated financial statements of Retail Money Market Ltd ('the Company') and its subsidiaries (together 'the Group') for the year ended 31 March 2019 which comprise the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of financial position, the consolidated statement of cash flows, the Company statement of changes in equity, the Company statement of financial position, the Company statement of cash flows and the related notes 1 to 28, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the Group's and of the Company's affairs as at 31 March 2019 and of the Group's loss for the year then ended;
- the Group's and the Company's financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report below. We are independent of the Group and the Company in accordance with the ethical requirements in the UK that are relevant to our audit of the financial statements, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to the Directors' report on page 6 in which the Directors identify that, due to the Group's forecast losses over the next 12 months, they expect the Group to enter a net liability position. As a result, the Directors have noted that the Group, depending on its performance relative to the forecast, may need to raise additional capital in the future to return the Group to a net asset position and to ensure that the Company continues to meet its regulatory capital requirements.

The Directors have therefore noted that a material uncertainty exists that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic report or the Directors' report.

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

- adequate accounting records have not been kept by the Group; or
- the Group's financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

This report is made solely to the 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.

Ernst & Young LLP

Michael-John Albert (Senior statutory auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
London
26 September 2019

RETAIL MONEY MARKET LTD

Consolidated statement of comprehensive income for the year ended 31 March 2019

	Note	2019	2018
		£	£
Revenue		33,197,827	34,343,892
Cost of sales		(14,255,456)	(15,257,686)
Gross profit		**18,942,371**	**19,086,206**
Administrative expenses		(27,101,152)	(33,030,408)
Operating loss	5	**(8,158,781)**	**(13,944,202)**
Interest received and similar income	8	71,995	230,431
Interest paid on loans and borrowings		(396,827)	(473,746)
Realised gain arising on sale of subsidiaries	9	223,794	972,728
Exceptional items	10	-	(13,515,761)
Loss before taxation		**(8,259,819)**	**(26,730,550)**
Income tax credit / (charge)	11	104,054	(1,178,894)
Loss for the year		**(8,155,765)**	**(27,909,444)**
Other comprehensive income	14	3,995,728	445,854
Total comprehensive loss for the year		**(4,160,037)**	**(27,463,590)**

The Company's loss after tax for the year was £11,615,741 (2018: £21,516,985 loss).

All amounts relate to continuing activities.

The notes on pages 18 to 42 form part of these financial statements.

RETAIL MONEY MARKET LTD

Consolidated statement of changes in equity for the year ended 31 March 2019

	Share capital £	Share premium £	Other reserves £	Revaluation reserve £	Retained losses £	Total £
At 1 April 2017	6	392,847	28,469,771	8,895,058	(28,891,263)	8,866,419
Shares purchased by employee benefit trust	-	-	(3,215)	-	-	(3,215)
Capital raised	-	13,049,146	-	-	-	13,049,146
Cancellation of share premium	-	(13,441,194)	13,441,194	-	-	-
Share-based payment award	-	-	108,149	-	-	108,149
Deferred tax (share-based payments)	-	-	(281,509)	-	-	(281,509)
Revaluation of investments	-	-	-	445,854	-	445,854
Loss for the year	-	-	-	-	(27,909,444)	(27,909,444)
At 31 March 2018 (IAS 39)	6	799	41,734,390	9,340,912	(56,800,707)	(5,724,600)
Impact of IFRS 9 adoption (see Note 1.3)	-	-	-	-	(467,078)	(467,078)
At 1 April 2018 (IFRS 9)	6	799	41,734,390	9,340,912	(57,267,785)	(6,191,678)
Shares purchased by employee benefit trust	-	-	(10,193)	-	-	(10,193)
Capital raised	-	15,047,773	-	-	-	15,047,773
Share-based payment award	-	-	79,319	-	-	79,319
Reserve transfer (deferred tax)	-	-	(163,072)	-	163,072	-
Revaluation of investments	-	-	-	3,995,728	-	3,995,728
Loss for the year	-	-	-	-	(8,155,765)	(8,155,765)
At 31 March 2019	6	15,048,572	41,640,444	13,336,640	(65,260,478)	4,765,184

Other reserves is made up of the share option reserve, the distributable capital reserve and the own shares reserve. The share option reserve represents the cumulative current value of awards made to employees under the Group's share option schemes. Further detail is provided in Note 24. The distributable capital reserve of £43.3m (2018: £43.3m) arose following capital raises and subsequent cancellations of share premium (a transfer from share premium to a distributable capital reserve) in prior financial years. The own shares reserve represents shares being held by an employee benefit trust as part of a Joint Share Ownership Plan and on behalf of current employees. The value of the own shares reserve represents the consideration paid by the employee benefit trust in respect of the joint ownership and the shares held on behalf of the employees.

The notes on pages 18 to 42 form part of these financial statements.

RETAIL MONEY MARKET LTD

Consolidated statement of financial position as at 31 March 2019

	Note	2019 £	2018 £
Non-current assets			
Intangible assets	12	61,244	107,285
Property, plant and equipment	13	470,828	1,503,656
Unrestricted investments held at fair value	14	13,336,656	9,349,491
Restricted investments held at fair value	14	1,998,389	3,494,207
Loans receivable	17	1,781,320	14,095,108
		17,648,437	28,549,747
Current assets			
Stock		46,386	205,711
Loans receivable	17	2,697,651	600,000
Trade and other receivables	19	5,204,428	4,599,959
Restricted cash and cash equivalents	15	11,091,388	8,320,074
Unrestricted cash and cash equivalents		18,903,780	8,229,032
		37,943,633	21,954,776
Total assets		**55,592,070**	**50,504,523**
Current liabilities			
Trade and other payables	20	(5,858,858)	(5,096,427)
Provision Fund: surplus and provision	15	(12,896,704)	(10,212,299)
Loans and borrowings	21	(8,633,715)	(6,196,920)
Provisions	22	(1,665,400)	(2,433,762)
		(29,054,677)	(23,939,408)
Non-current liabilities			
Trade and other payables	20	-	(21,754)
Loans and borrowings	21	(20,005,650)	(30,883,783)
Provisions	22	(1,766,559)	(1,384,178)
		(21,772,209)	(32,289,715)
Total liabilities		**(50,826,886)**	**(56,229,123)**
Net assets / (liabilities)		**4,765,184**	**(5,724,600)**
Equity			
Share capital	23	6	6
Share premium		15,048,572	799
Other reserves		41,640,444	41,734,390
Revaluation reserve		13,336,640	9,340,912
Retained losses		(65,260,478)	(56,800,707)
Equity shareholders' funds / (deficit)		**4,765,184**	**(5,724,600)**

The financial statements were approved, authorised for issue by the Board and signed on its behalf on 25 September 2019 by:

Rhydian Lewis

A R Lewis
Chief Executive Officer

H J T Russell
Chief Financial Officer

Registered Number: 07075792

The notes on pages 18 to 42 form part of these financial statements.

RETAIL MONEY MARKET LTD

Consolidated statement of cash flows for the year ended 31 March 2019

	Note	2019	2018
		£	£
Net cash flows from operating activities	25	**3,825,221**	**(3,029,071)**
Investing activities			
Purchase of property, plant and equipment		(102,849)	(95,503)
Proceeds from the disposal of property, plant and equipment		699,988	133,734
Purchase of intangible assets		(19,022)	(60,000)
Proceeds from sale of subsidiaries		-	699,999
Interest received and similar income		71,995	230,431
Consideration paid on acquisition of subsidiaries		-	(1,200,000)
Cash acquired on acquisition of subsidiaries		-	976,124
Net cash flows from investing activities		**650,112**	**684,785**
Financing activities			
Capital raised		15,047,773	13,049,146
Shares purchased by employee benefit trust		(10,193)	(3,215)
Interest paid on loans and borrowings		(396,827)	(473,746)
Repayment of loans and borrowings		(8,441,338)	(8,924,202)
Net cash flows from financing activities		**6,199,415**	**3,647,983**
Net increase in net funds		10,674,748	1,303,697
Net funds (excluding restricted cash) at 1 April		8,229,032	6,925,335
Net funds (excluding restricted cash) at 31 March		**18,903,780**	**8,229,032**

The notes on pages 18 to 42 form part of these financial statements.

RETAIL MONEY MARKET LTD

Company statement of changes in equity for the year ended 31 March 2019

	Share capital £	Share premium £	Other reserves £	Revaluation reserve £	Retained losses £	Total £
At 1 April 2017	**6**	**392,847**	**28,469,771**	**8,805,643**	**(20,722,295)**	**16,945,972**
Shares purchased by employee benefit trust	-	-	(3,215)	-	-	**(3,215)**
Capital raised	-	13,049,146	-	-	-	**13,049,146**
Cancellation of share premium	-	(13,441,194)	13,441,194	-	-	-
Share-based payment award	-	-	108,149	-	-	**108,149**
Deferred tax in respect of share-based payments	-	-	(281,509)	-	-	**(281,509)**
Revaluation of investments	-	-	-	543,832	-	**543,832**
Loss for the year	-	-	-	-	(21,516,985)	**(21,516,985)**
At 31 March 2018	**6**	**799**	**41,734,390**	**9,349,475**	**(42,239,280)**	**8,845,390**
Shares purchased by employee benefit trust	-	-	(10,193)	-	-	**(10,193)**
Capital raised	-	15,047,773	-	-	-	**15,047,773**
Share-based payment award	-	-	79,319	-	-	**79,319**
Reserve transfer (deferred tax)	-	-	(163,072)	-	163,072	-
Revaluation of investments	-	-	-	3,987,165	-	**3,987,165**
Loss for the year	-	-	-	-	(11,615,741)	**(11,615,741)**
At 31 March 2019	**6**	**15,048,572**	**41,640,444**	**13,336,640**	**(53,691,949)**	**16,333,713**

The notes on pages 18 to 42 form part of these financial statements.

RETAIL MONEY MARKET LTD

Company statement of financial position as at 31 March 2019

	Note	2019 £	2018 £
Non-current assets			
Intangible assets	12	61,244	107,285
Property, plant and equipment	13	467,778	735,612
Unrestricted investments held at fair value	14	13,336,656	9,349,491
Investments in subsidiaries	16	2	264,308
		13,865,680	10,456,696
Current assets			
Loans receivable	17	-	600,000
Trade and other receivables	19	4,989,102	4,830,835
Unrestricted cash and cash equivalents		18,055,554	7,335,322
		23,044,656	12,766,157
Total assets		**36,910,336**	**23,222,853**
Current liabilities			
Trade and other payables	20	(12,575,587)	(6,487,832)
Provisions	22	(2,807,404)	(2,097,822)
		(15,382,991)	(8,585,654)
Non-current liabilities			
Provisions	22	(5,193,632)	(5,791,809)
		(5,193,632)	(5,791,809)
Total liabilities		**(20,576,623)**	**(14,377,463)**
Net assets		**16,333,713**	**8,845,390**
Equity			
Share capital	23	6	6
Share premium		15,048,572	799
Other reserves		41,640,444	41,734,390
Revaluation reserve		13,336,640	9,349,475
Retained losses		(53,691,949)	(42,239,280)
Equity shareholders' funds		**16,333,713**	**8,845,390**

The financial statements were approved, authorised for issue by the Board and signed on its behalf on 25 September 2019 by:

A R Lewis
Chief Executive Officer

H J T Russell
Chief Financial Officer

Registered Number: 07075792

The notes on pages 18 to 42 form part of these financial statements.

Company statement of cash flows for the year ended 31 March 2019

	2019	2018
	£	£
Loss for the year before tax	**(11,767,821)**	**(20,336,090)**
Operating activities		
Depreciation of property, plant and equipment	370,683	430,222
Amortisation of intangible assets	65,064	60,057
Impairment of investments	264,306	-
Share-based payment transaction expense	79,319	108,149
Deferred tax in respect of share-based payment	-	(281,509)
Interest received and similar income	(303,552)	(562,386)
(Increase) in trade and other receivables	443,091	(2,170,993)
Decrease in deferred tax asset	-	1,522,509
Increase in trade and other payables	6,087,755	2,147,466
Increase in provisions	111,405	7,232,516
Corporation tax adjustment	150,721	(1,180,896)
Net cash flows from operating activities	**(4,499,029)**	**(13,030,955)**
Investing activities		
Purchase of property, plant and equipment	(102,849)	(49,083)
Purchase of intangible assets	(19,022)	(60,000)
Interest received and similar income	303,552	562,386
Net cash flows from investing activities	**181,681**	**453,303**
Financing activities		
Capital raised	15,047,773	13,049,146
Shares purchased by employee benefit trust	(10,193)	(3,215)
Net cash flows from financing activities	**15,037,580**	**13,045,931**
Net increase in net funds	10,720,232	468,279
Net funds (excluding restricted cash) at 1 April	7,335,322	6,867,043
Net funds (excluding restricted cash) at 31 March	**18,055,554**	**7,335,322**

1. Accounting policies

1.1 Basis of preparation of financial statements

The Group's presentational currency is pound sterling ("£"). The functional currency of the Group is also pound sterling on the basis that it is the currency in which the transactions of the Group are conducted.

These annual financial statements have been prepared in accordance with IFRSs as adopted by the EU and as issued by the International Accounting Standards Board and in accordance with the requirement of the Companies Act 2006.

The financial statements have been prepared on a going concern basis under the historical cost convention except for certain financial assets that are carried at fair value.

Retail Money Market Ltd (the parent company incorporated and domiciled in the United Kingdom) has taken advantage of section 408 of the Companies Act 2006 and has not included its own statement of comprehensive income in the financial statements. The Company's loss after tax for the year was £11,615,741 (2018: £21,516,985 loss).

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the year the assumptions change. Management believe that the underlying assumptions are appropriate. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.

APNL Limited, Security Trustee Services Limited and RateSetter Motor Limited will take advantage of the audit exemption set out within section 479A of the Companies Act 2006 for the year ended 31 March 2019.

1.2 Basis of consolidation

The Group's financial statements incorporate the financial statements of Retail Money Market Ltd and its subsidiaries (as disclosed in Note 16). The assets, liabilities, income and expenses of a subsidiary are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary. Assets and liabilities are recognised at fair value at the date of acquisition. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by the Group. All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

1.3 Changes in accounting policy and disclosures

New and amended standards issued, effective and adopted by the Group

The Group decided to early adopt IFRS 15 (Revenue from contracts with customers) with effect from 1 April 2016 in view of its significance for the business activities in which the Group operates. The Group has adopted IFRS 9 (Financial Instruments) and the amendments to IAS 16 and IAS 38 (Clarification of acceptable methods of depreciation and amortisation) with effect from 1 April 2018. The Group's assessment of the impact of these new standards and interpretations is set out below.

IFRS 9 (Financial instruments)

The Group has adopted IFRS 9, as issued by the IASB in July 2014, with a date of transition of 1 April 2018, which has resulted in changes in the Group's accounting policies and financial statement disclosure requirements. The Group did not early adopt IFRS 9 and as permitted by the transitional provisions of IFRS 9, elected not to restate comparative figures, which continue to be reported under IAS 39. A summary of the financial impact arising from the adoption of IFRS 9 has been provided in this note.

Classification and measurement

To determine the classification of each financial instrument under IFRS 9 the Group has assessed both the business model for managing each financial instrument and the cashflow characteristics of each instrument. The classification and measurement of the Group's financial instruments under IFRS 9 and a comparison against the old standard, IAS 39, is as follows:

1. Accounting policies (continued)

	IAS 39		IFRS 9	
	Measurement basis	As at 1 April 2018	Measurement basis	As at 1 April 2018
		£		£
Loans receivable	Amortised cost	14,695,108	Amortised cost	14,228,030
Equity instruments (RS Australia)	Available for sale	9,349,491	FVOCI	9,349,491
Equity instruments (Other)	Available for sale	604,963	FVTPL	604,963
Fixed income securities	Available for sale	2,889,244	FVTPL	2,889,244

The changes to classification have resulted in a £467k increase in the impairment provision for loans receivable.

The Group has elected to classify its equity investment in RateSetter Australia Pty Limited (a private company incorporated in Australia) as FVOCI as it is neither held for trading nor contingent consideration recognised by an acquirer in a business combination.

There were no changes to the classification or measurement of financial liabilities.

Impairment of financial assets

The adoption of IFRS 9 required a change in the Group's accounting policy for impairing financial assets. The amended policy requires the calculation of a loss allowance for each financial asset with IAS 39's incurred loss approach being replaced by a forward-looking expected credit loss (ECL) methodology. The adjustment to the loss allowance as at 1 April 2018, following the adoption of IFRS 9, is summarised as follows:

	Allowance for loss (IAS 39)	Re-measurement	Allowance for loss (IFRS 9)
	£	£	£
Loans receivable	(2,130,230)	(467,078)	(2,597,308)

Loss allowance for loans receivable

The Group's loans receivable represents loans made for motor financing purposes and therefore qualify as lease receivables as per IFRS 9. Under IFRS 9 entities that hold lease receivables are permitted to adopt the simplified approach which removes the requirement to monitor financial assets for a significant increase in credit risk as required by the standard three-stage approach. Instead, entities take a more prudent approach whereby the loss allowance for each financial asset is equal to its lifetime ECL. The Group has decided to adopt the simplified approach for its loans receivable.

The ECL for the Group's loans receivable is derived from extrapolated loss curves created using historical credit loss data. In calculating the ECL forward-looking information is incorporated, such as the impact on future loan performance of certain macroeconomic variables.

Significant estimates included within the ECL calculations include the impact of the forward-looking information and the estimates around expected future recovery rates. Significant estimates will be reviewed on an ongoing basis as part of the IFRS 9 review process.

Amendments to IAS 16 and IAS 38 (Clarification of acceptable methods of depreciation and amortisation)

The amendments to IAS 16 clarify that a depreciation method based on revenue that is generated by an activity that includes the use of an asset is not appropriate. The amendments to IAS 38 introduce a rebuttable presumption that a revenue-based amortisation for intangible assets is not appropriate.

The Group uses different methods of depreciation for certain fixed assets and intangible assets, as detailed in Note 1.5, but do not use revenue-based measures. As such, the application of the amendments to IAS 16 and IAS 38 have no impact on the Group's financial statements. The directors of the Group believe that the depreciation methods used are the most appropriate to reflect the consumption of economic benefits inherent in the respective assets.

1. Accounting policies (continued)

New and amended standards issued but not yet adopted

At the reporting date, a number of new and amended standards have been issued but are not yet effective. The Group has decided not to early adopt any of these standards, including IFRS 16, the impact of which is considered below.

IFRS 16 (Leases)

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The approach to lessor accounting is substantially unchanged from that required by IAS 17.

The estimated impact of adopting IFRS 16 will be to increase both assets and liabilities by £1.8m at 1 April 2019. The majority of this adjustment relates to the leasing of the Group's offices.

The value of the right-of-use assets will be equal to the lease liabilities on the date of adoption, with no changes made to prior financial periods. The discount rate applied will be based on the Group's incremental borrowing rate, as allowed by the standard.

1.4 Summary of significant accounting policies

Investments in subsidiaries, business combinations and goodwill

Subsidiary undertakings are all entities over which the Group has power, exposure or rights to variable returns, and the ability to affect those returns through its power over the undertaking.

Subsidiary undertakings are recorded using the acquisition method of accounting and their results are included from the date of acquisition or incorporation. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at fair value as at the acquisition date. Acquisition-related costs are expensed as incurred and included in administrative expenses.

Goodwill is initially measured at cost being the aggregate of the consideration transferred in excess of the fair value of the net identifiable assets acquired and liabilities assumed. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Any impairment is recognised in the statement of comprehensive income.

The separable net assets, including property, plant and equipment and intangible assets, of the newly acquired subsidiary undertakings are incorporated into the consolidated financial statements on the basis of the fair value as at the effective date of control. Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated.

Upon the disposal of a subsidiary the difference between the carrying value of net assets sold and the proceeds from disposal is recognised through the statement of comprehensive income.

Financial instruments

Financial assets and liabilities are recognised in the Group's statement of financial position when the Group becomes a party to any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

All financial assets are recognised initially at fair value plus transaction costs that are attributable to the acquisition of the financial asset, with the exception of assets classified as fair value through profit or loss where transactions costs are expensed through the statement of comprehensive income. Following an assessment of the business model for managing the financial assets and the contractual terms of the cashflows, the Group classifies its financial assets, at initial recognition and for subsequent measurement, into three categories, being those financial assets measured at:

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

1. Accounting policies (continued)

Amortised cost

Assets that are held for the collection of contractual cashflows, where the cashflows represent solely repayments of principal and interest, are measured at amortised cost using the effective interest method, net of any impairment provision. Interest earned from such financial assets is recognised in the statement of comprehensive income as revenue on an accruals basis using the effective interest method. Any losses arising from impairment of the asset are recognised in the statement of comprehensive income in administrative expenses. The Group's financial assets measured at amortised cost include loans receivable and trade and other receivables.

Trade receivables are recognised at fair value on initial recognition which equates to the amount expected to be receivable on settlement of the asset. All amounts are assessed for impairment based on a consideration of whether the Group or the Company will be able to collect all amounts due according to the original terms of the receivable (using the ECL approach).

FVOCI

The Group has elected to classify its equity investment in RateSetter Australia Pty Limited (a private company incorporated in Australia) as FVOCI as it is neither held for trading nor contingent consideration recognised by an acquirer in a business combination. Movements in fair value are taken through other comprehensive income and will not be reclassified to the income statement at the time of derecognition, however a transfer is made on disposal between reserves within equity (i.e. between the revaluation reserve and retained earnings).

FVTPL

The Group's financial assets that do not meet the criteria to be measured at amortised cost or FVOCI are measured at FVPTL. This includes the Group's remaining equity instruments and fixed income securities. Movements in fair value are recognised within administrative expenses in the statement of comprehensive income.

Impairment of financial assets

Under IFRS 9, for financial assets measured at amortised cost, the Group assesses the ECL. With respect to loans receivable, as the Group has adopted the simplified approach the loss allowance is equal to the lifetime ECL. Further information of the calculation of ECL is included within Note 1.3.

De-recognition of financial assets

Financial assets are derecognised when the contractual rights to the cashflows from the financial assets expire or the Group has either transferred the contractual right to receive the cashflows from that asset, or has assumed an obligation to pay those cashflows to one or more recipients.

Financial liabilities

All financial liabilities are recognised initially at fair value net of directly attributable transaction costs. The Group classifies its financial liabilities, at initial recognition and for subsequent measurement, as financial liabilities at amortised cost.

Amortised cost

Financial liabilities recognised in the Group's statement of financial position as either loans and borrowings or trade and other payables are classified as financial liabilities at amortised cost. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method with all movements recognised in the statement of comprehensive income.

Fair value measurement

The Group uses valuation techniques that are appropriate and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All financial assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement.

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

1. Accounting policies (continued)

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation at the end of each reporting period.

1.5 Summary of accounting policies

Revenue

Core revenue represents the fair value of the consideration receivable for the provision of financial intermediary services and is recognised exclusive of VAT and trade discounts. The primary components of core revenue are accounted for as follows:

- Loan origination fees are earned in respect of services performed to facilitate the formation of each loan agreement, being the process of matching a third-party borrower to a third-party lender via the RateSetter Platform. As such, revenue from loan origination fees is recognised at the point in time that each loan agreement is formed and represents the point at which the Group's performance obligation is completed. Subject to the variable element of the consideration (as described below), loan origination fees are calculated as a percentage of the loan value requested by the third-party borrower and in accordance with terms stipulated in the agreement between the third-party borrower and lender. The fees are paid by the third-party borrower upon the formation of the loan agreement and are not generally subject to any rebates or refunds.

- Loan management fees are earned in respect of on-going services provided in relation to the administration of each loan agreement throughout the life of the loan. Fees are satisfied over a period of time and revenue is recognised on an accruals basis in the same period over which the service is performed. Subject to the variable element of the consideration (as described below), loan management fees are calculated as a percentage of the loan balance outstanding and in accordance with the terms of the agreement between the third-party borrower and lender. Loan management fees are paid to the Group by the third-party borrower as a component of the repayments of capital and interest (and in accordance with the fixed repayment profile stipulated in the loan agreement between the borrower and the lender).

Both loan origination fees and loan management fees are deemed to be forms of variable consideration with the fee entitlements calculated using the fixed methodologies described above being reduced by the allocation of a portion of this fee to the Group's Provision Fund. The criteria used in determining the amount of this fee reduction is described in the Restricted Assets policy. However, there is no significant judgement or estimation involved in the measurement of consideration as the amounts allocated to the Provision Fund are agreed upon the completion of each performance obligation.

The Group uses the output method to recognise revenue on the basis that the amounts charged to borrowers are deemed to correspond directly with the value to the borrower of the Group's completed performance obligations. In addition, the borrower is deemed to consume the benefits of the services provided by the Group simultaneously to the Group providing these services.

Performance obligations with respect to both loan origination fees and loan management fees are deemed to be substantially completed at the end of each reporting period and no consideration is received in advance of the completion of an obligation. As a result, the Group has no significant contract liabilities or contract assets as at the statement of financial position date.

Non-core revenue represents interest receivable from the provision of loan finance. Interest receivable and the associated fees and charges are recognised on an accruals basis using the effective interest rate method.

Cost of sales

Cost of sales comprise the credit, data, payment and distribution costs incurred whilst acting as a financial intermediary in the origination of peer-to-peer loan agreements. In addition, interest arising on the Vehicle Credit Limited and Vehicle Stocking Limited loans and borrowings is classified as a cost of sale. All amounts are recognised on an accruals basis.

Administrative expenses

Administrative expenses comprise office costs, staff salaries, marketing, professional costs and other costs. All amounts are recognised on an accruals basis.

1. Accounting policies (continued)

Interest received and similar income

Interest received and similar income includes interest received from cash held on deposit and dividends received from investments. All amounts are recognised on an accruals basis.

Interest paid on loans and borrowings

Interest paid on loans and borrowings is the interest arising on the loan balance held by APNL Limited. All amounts are recognised on an accruals basis.

Taxation

The tax expense comprises the current tax charge and the deferred tax movement. Current tax is recognised in the statement of comprehensive income and is provided at the amount expected to be paid (or recovered) by applying the relevant tax rates and laws. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the country where the Group operates and generates taxable income.

Deferred tax is calculated using a temporary difference approach, and is the tax expected to be payable (or recoverable) on temporary differences between the carrying amount of assets and liabilities in the statement of financial position and the corresponding tax bases used in the computation of taxable profit. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets are recognised to the extent it is probable that future taxable profits will be available against which the deductible temporary differences can be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be utilised. Deferred tax assets and liabilities are not discounted.

Intangible assets

Intangible assets have been recognised at cost and are tested for impairment annually. Assets are deemed to have finite useful lives and are amortised over the useful economic life, which is deemed to be up to ten years for Intellectual Property and three years for Software Licences. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at the end of each reporting period. The amortisation expense on intangible assets with finite lives is recognised in the statement of comprehensive income as an administrative expense. Intangible assets are assessed for impairment on an annual basis with any impairment recognised in the statement of comprehensive income.

Foreign currencies

Transactions denominated in foreign currencies are translated into the functional currency at the rate of exchange at the date of the transaction. Foreign currency monetary assets and liabilities are translated at the rate of exchange ruling on the reporting date. Exchange differences arising on re-translation are recognised in the statement of comprehensive income.

Property, plant and equipment

Property, plant and equipment is stated at cost less depreciation and any provision for impairment. The cost of an asset includes all expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. At each balance sheet date, property, plant and equipment are assessed for indications of impairment. Any impairment is recognised in the statement of comprehensive income in the period which it occurs. Depreciation is recognised as an administrative expense in the statement of comprehensive income and is provided at rates calculated to write off the cost of the assets, less their estimated residual value, over the useful economic life of the assets, as follows:

Fixtures and fittings	3 years
Office equipment	3 years
Property and leasehold improvements	The term of the lease
Advertising hardware	5 years
Motor Vehicles	30% reducing balance

1. Accounting policies (continued)

Stock

Stock is valued at the lower of cost and net realisable value. Net realisable value is based upon the estimated selling price less any cost of disposal. Any movement in the provision for obsolescence and slow-moving stock is recognised in the statement of comprehensive income.

Cash and cash equivalents

Cash and cash equivalents comprise short-term deposits with banks and other financial institutions, with an initial maturity of three months or less.

Restricted assets

Restricted assets represent the capital held by the Group to compensate investors against the risk of borrower default and the Group has committed to make this capital available to investors in the event of a borrower defaulting. The assets are held in the form of cash and investments (as disclosed in Note 15).

An addition to the restricted assets pool is recognised at the point that credit fees are received by the Group. The Group charges credit fees to each borrower on the RateSetter platform. The credit fee charged is based on an assessment of creditworthiness of each borrower and is designed to build up a pool of restricted assets that, over the lifetime of the loan portfolio, would be equivalent to the value of the Provision Fund.

The restricted assets pool represents the proportion of the Group's Provision Fund that is held on the statement of financial position as at the reporting date. It is not equivalent to the value of the Provision Fund. As explained in the Strategic report, the Provision Fund represents both the restricted assets pool plus the value of future contracted income of credit fees to be received from borrowers over the lifetime of the existing loan portfolio.

Provision Fund: surplus and provision

The provision represents the extent of the potential liability of the Group to make compensation payments to investors from the restricted assets pool in the event of borrower default. The Group's liability to investors is limited to the value of the assets held in the Restricted Assets pool at any point in time. As a result, the provision is not equivalent to the overall Expected Loss from the loan portfolio held on the RateSetter platform.

To the extent that a surplus of assets exist within the Provision Fund relative to the Expected Loss from the loan portfolio, and subject to specific criteria, RateSetter is entitled to recognise this surplus as a Credit Performance Fee. As a result, any such surplus represents deferred income for the Group. To date no such fees have been accrued.

Provisions

A provision is recognised if the Group has a present, legal or constructive, obligation resulting from a past event that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Share-based payments

The Group issues equity-settled share-based payments to employees in the form of share options, growth shares and through a share incentive plan. The cost of equity-settled transactions is determined by the fair value at the date when the award is made using an appropriate valuation model. The Group measures the fair value of share options using the Black-Scholes-Merton options pricing model. The cost is recognised as an employee benefit expense within administrative expenses, together with a corresponding increase in equity (other reserves), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of comprehensive income for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

1. Accounting policies (continued)

Employee benefit trust and own shares

The Group has an employee benefit trust (EBT). The purpose of the EBT is to acquire and hold shares in the Company on behalf of employees. For accounting purposes, the assets of the EBT are treated as an extension of the Company and are aggregated with the results of the Company within the consolidated financial statements. As a result, the purchase of shares in the Company by the EBT is shown in the financial statements as an acquisition of the Company's own shares and are shown as shares held in treasury in the own shares reserve. The own shares reserve represents shares being held by the EBT as part of a Joint Share Ownership Plan and on behalf of current employees. The value of the own shares reserve represents the consideration paid by the EBT in respect of the joint ownership and the shares held on behalf of the employees.

Operating leases

Rentals payable under operating leases are charged on a straight-line accruals basis over the lease term. The value of any lease incentive received (e.g. a rent-free period) is capitalised and is released to the statement of comprehensive income over the life of the lease.

Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication of an impairment exists the Group estimates the asset's recoverable amount, being the higher of fair value less costs of disposal and its value in use. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Any impairment is recognised in the statement of comprehensive income. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised.

Lessor accounting

Where assets are provided by the Company under lease purchase agreements, that transfer substantially all the risk and rewards incidental to ownership, the assets are treated as if they had been sold outright and the corresponding asset to the Company is included as a lease debtor. Receipts from lease debtors are treated as consisting of capital and interest elements and the interest rate is credited to the statement of comprehensive income using the effective interest rate method.

2. Significant accounting judgements, estimates and assumptions

The preparation of financial statements in conformity with IFRS requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

Going concern assessment

The underlying performance of the Group continues to improve and the directors are confident that the Group will continue to grow the value of its loans under management; driving further revenue growth in the future. However, the Group is currently loss making and forecasts show that the Group will generate a cumulative loss during the 18 month period to 31 March 2021 ("the Forecast Period") before forecasts indicate moving into a position of sustained profitability thereafter.

The Group's forecasts show that:

- The Group will retain sufficient cash to meet its liabilities throughout the Forecast Period;
- The Company will continue to meet its regulatory capital requirements throughout the Forecast Period; and
- The Group will move into a net liability position before the end of the current financial year.

Dependent on the Group's performance relative to these forecasts, it may need to raise additional capital to return the Group to a net asset position and to continue to meet regulatory capital requirements. Given the current market conditions, regulatory environment and macro-economic uncertainty, there is a risk that the Group may not be able to execute on its business plan and consequently not achieve its forecasts, which may adversely impact the Group's ability to raise sufficient capital to return the Group to a net asset position and meet future regulatory capital requirements.

2. Significant accounting judgements, estimates and assumptions (continued)

As a result, the directors recognise that a material uncertainty exists that casts significant doubt upon the ability of the Group and the Company to continue as a going concern.

Notwithstanding this uncertainty, the directors remain confident that the Group will be able to achieve its business plan and raise capital if required based on:

- Their confidence in the potential of the peer-to-peer sector;
- The Group's status as one of the leaders in the sector and its differentiated business model; putting it in a favourable position relative to peers to take advantage of further opportunities; and
- The significant improvement in the underlying performance of the business; showing steady growth in the value of loans under management and plans for further improvements in the future.

Given these factors and having considered the risks and uncertainties to which the Group's business model is exposed, the directors expect that the Group will have sufficient financial resources to meet its obligations (including regulatory capital requirements) for the foreseeable future (being a period of at least twelve months from the date of this report). Consequently, the directors have concluded that it remains appropriate to continue to adopt the going concern basis of accounting in the preparation of the financial statements.

Measurement of provision for onerous contracts

The Group exercises judgement in measuring and recognising provisions related to loan contracts where there is a negative margin between the borrower rate and the investor rate. Any negative margin is absorbed by the Group and can be either locked-in for the term or might only be temporary from either the borrower repaying or the investor exiting and being refinanced. For these loan contracts, a provision is recognised when it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. This is measured at the cost of fulfilling the contract on a loan by loan basis and applying a discount factor to recognise the possibility of any early repayments or defaults. Due to the inherent uncertainty in this evaluation process, actual losses may be different from the originally estimated provision.

Impairment of loans receivable

The Group exercises judgement in measuring and recognising provisions related to loans made to individuals that have acquired vehicles under hire purchase contracts. Estimates are used to assess the probability and quantum of losses from bad debts within the loan portfolio based on historic performance and macroeconomic overlays. Due to the inherent uncertainty in this evaluation process, actual losses may be different from the originally estimated provision.

Valuation of share-based payments

Estimating the fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the award. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and the dividend yield and making assumptions about them. The Group uses a Black-Scholes-Merton options pricing model for the employee EMI share option scheme.

Recognition of deferred tax asset

Significant management judgement is required to determine whether a deferred tax asset should be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

3. Financial risk management

Capital policy

The Group's objective when managing capital is to safeguard its ability to continue as a going concem, to provide optimal returns for shareholders, to maintain an efficient capital structure to reduce the cost of capital and to meet the minimum FCA regulatory capital requirements.

The Group has assessed the ability to meet its capital requirements as part of the Group's risk management procedures. The Group considers its capital to comprise its ordinary share capital, share premium and other capital reserves less its accumulated retained losses.

No changes were made in the objectives, policies or processes for managing capital during the year.

Principal financial risks

The principal financial risks faced by the Group are credit risk, liquidity risk and market risk (including price, interest rate and foreign exchange risk). The policies and strategies for managing these risks are summarised within this note.

3. Financial risk management (continued)

Credit risk

The risk of financial loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligations. The Group is exposed to credit risk from its loans receivable, its operating activities (primarily from the Group's receivables from counterparties) and from its financing activities, including cash equivalents held at banks. The Group's maximum exposure to credit risk by class of financial asset is as follows:

	Group		Company	
	2019 £	2018 £	2019 £	2018 £
Non-current assets				
Loans receivable	1,781,320	14,095,108	-	-
Current assets				
Trade receivables	1,008,102	1,941,824	1,023,537	671,204
Loans receivable	2,697,651	600,000	-	600,000
Accrued Income	2,168,391	1,391,917	2,133,432	1,391,917
Other receivables	1,207,639	825,070	1,036,553	511,450
Amounts due from group undertakings	-	-	-	1,896,814
Unrestricted cash and cash equivalents	18,903,780	8,229,032	18,055,554	7,335,322
	27,766,883	**27,082,951**	**22,249,076**	**12,406,707**

The ageing analysis of overdue loans receivable is as follows:

31 March 2019	**Total**	**Amounts not past due**	**1-30 days**	**31-60 days**	**61-90 days**	**> 90 days**
Gross loans receivable	6,149,566	4,272,277	755,376	199,974	82,746	839,193
Impairment provision	(1,670,595)					
Net loans receivable	**4,478,971**					

31 March 2018	**Total**	**Amounts not past due**	**1-30 days**	**31-60 days**	**61-90 days**	**> 90 days**
Gross loans receivable	16,143,227	12,933,351	1,570,010	300,810	147,592	1,191,464
Impairment provision	(1,448,119)					
Net loans receivable	**14,695,108**					

The other current assets have been analysed for impairment using the ECL approach and no material loss allowance has been deemed to be required.

Trade receivables, loans receivable and accrued income are subject to the credit risk of borrower and/or counterparty default. The Group assesses and monitors the credit risk associated with borrowers and other counterparties and incorporates this information into its credit risk controls. It has an effective collections process to minimise any losses on its loans receivable. All loans are subject to strict lending and affordability criteria and the Group's policy is to deal only with creditworthy counterparties. Cash and cash equivalents are held with reputable institutions, which are credit assessed regularly.

The loans receivable represent non-prime motor finance hire purchase loans made by two of the Group's subsidiaries, primarily prior to acquisition by the Group in May 2017. The loans are amortising in line with expectations, with the majority of the outstanding balance expected to be fully amortised within the next year. These loans receivable represent the Group's Non-core operations (See Note 4).

3. *Financial risk management (continued)*

Liquidity risk

The risk that the Group could be unable to settle or meet its financial obligations as they fall due. The Group's approach to managing liquidity risk is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's position.

The Group's liquidity position is monitored and reviewed on an ongoing basis by the directors. The Group's liquidity is not significantly impacted by any borrower default risk as the Group acts as an agent facilitating and administrating loans and the capital requirement to compensate investors is limited to the amount held as restricted assets in the financial statements.

The maturity analysis of the financial instruments held by the Group and the Company at 31 March 2019 and 31 March 2018 is shown in the table below. The amounts disclosed are the contractual undiscounted cash flows. With the exception of the loans and borrowings, these balances are repayable on demand at the value shown in the financial statements.

	Group		Company	
	2019 £	2018 £	2019 £	2018 £
Current liabilities				
Trade and other payables	5,858,858	5,096,427	12,575,587	6,487,832
Loans and borrowings	10,394,684	7,949,474	-	-
Non-current liabilities				
Other payables	-	21,754	-	-
Loans and borrowings:				
Between 1 and 2 years	9,769,348	8,911,652	-	-
Between 2 and 5 years	11,901,233	25,403,314	-	-
	37,924,123	**47,382,621**	**12,575,587**	**6,487,832**

Market risk

The risk that the fair value or cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: price risk, interest rate risk and foreign exchange risk. Financial instruments affected by market risk include deposits and investments held at fair value.

a) *Price risk*

The Group's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments.

At the reporting date the exposure to listed equity and fixed-income securities at fair value was £2.0m, a 10% decrease in market prices could have an impact of approximately £200k (2018: £349k) on the income or equity attributable to the Group.

At the reporting date, the exposure to unlisted equity securities at fair value was £13.34m, a 10% decrease in market prices could have an impact of approximately £1,334k (2018: £935k) on the income or equity attributable to the Group.

b) *Interest rate risk*

Fluctuations in interest rates can affect interest income and expense, through financial assets and liabilities with variable interest rates. The Group's exposure to interest rate risk of £18.9m is associated with cash and cash equivalents. The Group's loans and borrowings have fixed interest rates and are not exposed to cash flow interest rate risk. The Group does not use interest rate swaps to hedge the fair value or cash flow interest rate risk. At the reporting date, a 0.5% change in the interest rate could have an impact of approximately £95k (2018: £41k) on the income or equity attributable to the Group.

3. Financial risk management (continued)

c) *Foreign exchange risk*

Both the functional and reporting currency of the Group is pound sterling. The Group has exposure to equity investments held in Australian dollars of $24.5m. The Group's exposure to all other currencies is deemed immaterial. At the reporting date, a 5% change in the GBP/AUD foreign exchange rate could have an impact of approximately £667k (2018: £467k) on the income or equity attributable to the Group. The Group does not hedge the foreign exchange rate risk.

The Group's risk to changes in the market is monitored and reviewed on an ongoing basis by the directors.

4. Segmental analysis

The Group's operations are carried out solely in the United Kingdom and the results and net assets of the Group are derived primarily from its core activity as a financial intermediary. Non-core revenue represents interest receivable from the provision of loan finance provided by Vehicle Credit Limited and Vehicle Stocking Limited. The associated debt service cost is classified as a non-core cost of sale. The gross profit of each reportable segment is shown below.

2019	Core operations £	Non-core operations £	Total £
Revenue	29,663,580	3,534,247	33,197,827
Cost of sales	(12,425,713)	(1,829,743)	(14,255,456)
Segmental gross profit	**17,237,867**	**1,704,504**	**18,942,371**

2018	Core operations £	Non-core operations £	Total £
Revenue	25,495,435	8,848,457	34,343,892
Cost of sales	(11,402,399)	(3,855,287)	(15,257,686)
Segmental gross profit	**14,093,036**	**4,993,170**	**19,086,206**

The Group's revenue from core operations includes loan origination fees of £15,616,230 (2018: £13,301,600), loan management fees of £12,988,416 (2018: £10,046,415) and other income of £1,058,934 (2018: £2,147,420).

5. Operating loss

The operating loss of the Group is stated after charging:

	2019 £	2018 £
Depreciation of property, plant and equipment	370,683	759,998
Loss on disposal of property, plant and equipment	65,006	-
Amortisation of intangible fixed assets	65,063	60,057
Auditor's remuneration – Company	138,500	115,000
Auditor's remuneration – Subsidiaries	58,000	70,000

The Group's auditor received £2,000 in non-audit fees for services provided to the Group during the year (2018: £nil).

6. Directors' remuneration

	2019 £	2018 £
Short-term employee benefits	818,305	846,872
Post-employment benefits	32,213	17,608
Share-based payments	-	24,648
	850,518	**889,128**

6. Directors' remuneration (continued)

The number of directors accruing post-employment benefits during the year was 3 (2018: 3). The directors are the only members of management that meet the definition of key management personnel. Remuneration payable to the highest paid director of the Company during the year was as follows:

	2019 £	2018 £
Short-term employee benefits	242,217	243,380
Post-employment benefits	12,783	9,864
Share-based payments	-	-
	255,000	**253,244**

7. Employees

The average number of employees (including key management personnel) of the Group during the year was:

	2019	2018
IT	39	46
Central functions	44	47
Operational	130	140
	213	**233**

Employment costs (including key management personnel) of the Group during the year were:

	2019 £	2018 £
Wages and salaries	12,167,480	15,510,088
Social security costs	1,433,403	1,782,726
Post-employment benefits	599,784	306,523
	14,200,667	**17,599,337**

8. Interest received and similar income

	2019 £	2018 £
Income distributions from investment portfolio	-	69,792
Interest on lending	38,862	116,255
Interest on bank deposits	33,133	44,384
	71,995	**230,431**

9. Realised gain arising on sale of subsidiaries

	2019 £	2018 £
Realised gain arising on sale of subsidiaries	223,794	972,728
	223,794	**972,728**

In 2019, the Group sold two subsidiaries, DMNB Limited and POQ Media Ltd, both are UK registered non-listed entities.

10. Exceptional items

	2019 £	2018 £
Impairment of goodwill on acquisition of subsidiaries	-	(13,515,761)

On 2 May 2017, RateSetter Motor Limited, a subsidiary of the Group, acquired Vehicle Credit Limited, Vehicle Stocking Limited, Vehicle Credit A Limited and Vehicle Stocking A Limited, all unlisted companies based in the United Kingdom.

The fair value of the identifiable assets and liabilities of the four acquired entities at the date of acquisition was (£12,315,761). The goodwill recognised on acquisition was assessed for impairment and following this review was fully impaired.

11. Income tax (credit) / charge

The standard UK corporation tax rate was 19% for the year (19% for the year ended 31 March 2018). In 2016, the UK government announced that the rate would be reduced to 17% from 1 April 2020.

	2019 £	2018 £
Current tax		
Current tax for the year	-	-
Adjustment in respect of previous years	(104,054)	(62,106)
	(104,054)	(62,106)
Deferred tax		
Origination and reversal of temporary differences	-	74,448
Write-off of deferred tax asset	-	1,262,548
Adjustment in respect of previous years	-	(95,996)
	-	1,241,000
Total tax (credit) / charge	**(104,054)**	**1,178,894**

The tax (credit) / charge for the year differs from the tax credit calculated at the standard rate of corporation tax in the UK of 19% (2018: 19%) as explained below.

	2019	2018
Loss before tax	(8,259,819)	(26,730,550)
Tax credit at standard rate of corporation tax of 19% (2018: 19%)	(1,569,366)	(5,078,805)
Effects of:		
Expenses not deductible	604,844	114,453
Reversal of previously recognised deferred tax	-	1,262,548
Losses on which deferred tax is not recognised	928,612	2,477,808
Impairment of goodwill on acquisition	-	2,567,995
Share-based payments permanent adjustments	-	(7,003)
Adjustment in respect of change in accounting policy	35,910	-
Adjustment in respect of previous years	(104,054)	(158,102)
Total tax (credit) / charge	**(104,054)**	**1,178,894**

12. Intangible assets

	Group and Company		
	Intellectual property	Software licences	Total
	£	£	£
Cost			
At 1 April 2017	18,489	106,800	125,289
Additions	-	60,000	60,000
At 31 March 2018	18,489	166,800	185,289
Additions	649	18,373	19,022
At 31 March 2019	19,138	185,173	204,311
Amortisation			
At 1 April 2017	6,233	11,714	17,947
Charge for the year	3,310	56,747	60,057
At 31 March 2018	9,543	68,461	78,004
Charge for the year	3,716	61,347	65,063
At 31 March 2019	13,259	129,808	143,067
Net book value			
At 31 March 2019	5,879	55,365	61,244
At 31 March 2018	8,946	98,339	107,285

Intellectual property comprises the costs associated with acquiring trademarks and patents. Software licences comprises the costs related to externally built bespoke software.

13. Property, plant and equipment

Group

	Property and leasehold improvements	Office equipment	Fixtures and fittings	Advertising hardware	Motor vehicles	Total
	£	£	£	£	£	£
Cost						
At 1 April 2017	1,007,495	462,299	308,062	1,444,923	-	**3,222,779**
Additions on acquisition	69,792	49,594	12,350	-	115,934	247,670
Additions	4,131	47,526	5,688	-	38,158	95,503
Subsidiary assets sold	-	-	-	(328,372)	-	(328,372)
Disposals	(69,792)	(5,477)	-	-	(75,060)	(150,329)
At 31 March 2018	1,011,626	553,942	326,100	1,116,551	79,032	**3,087,251**
Additions	-	62,833	22,141	-	17,875	102,849
Subsidiary assets sold	-	-	-	(1,116,551)	-	(1,116,551)
Disposals	(4,131)	*(46,105)*	*(16,480)*	-	*(58,457)*	*(125,173)*
At 31 March 2019	1,007,495	570,670	331,761	-	38,450	**1,948,376**
Depreciation						
At 1 April 2017	268,665	203,561	186,892	282,174	-	**941,292**
Charge for the year	202,738	168,402	90,271	256,365	42,222	759,998
Subsidiary assets sold	-	-	-	(101,199)	-	(101,199)
Elimination on disposals	-	-	-	-	(16,496)	(16,496)
At 31 March 2018	471,403	371,963	277,163	437,340	25,726	1,583,595
Charge for the year	201,499	124,885	43,776	-	523	370,683
Subsidiary assets sold	-	-	-	(437,340)	-	(437,340)
Elimination on disposals	(1,239)	(19,503)	(10,447)	-	(8,201)	(39,390)
At 31 March 2019	671,663	477,345	310,492	-	18,048	**1,477,548**
Net book value						
At 31 March 2019	**335,832**	**93,325**	**21,269**	**-**	**20,402**	**470,828**
At 31 March 2018	540,223	181,979	48,937	679,211	53,306	**1,503,656**

13. Property, plant and equipment (continued)

	Company				
	Property and leasehold improvements	Office equipment	Fixtures and fittings	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 1 April 2017	1,007,495	460,310	308,062	-	1,775,867
Additions	-	47,526	1,557	-	49,083
At 31 March 2018	1,007,495	507,836	309,619	-	1,824,950
Additions	-	62,833	22,141	17,875	102,849
At 31 March 2019	1,007,495	570,669	331,760	17,875	1,927,799
Depreciation					
At 1 April 2017	268,665	203,560	186,891	-	659,116
Charge for the year	201,499	148,899	79,824	-	430,222
At 31 March 2018	470,164	352,459	266,715	-	1,089,338
Charge for the year	201,499	124,885	43,776	523	370,683
At 31 March 2019	671,663	477,344	310,491	523	1,460,021
Net book value					
At 31 March 2019	**335,832**	**93,325**	**21,269**	**17,352**	**467,778**
At 31 March 2018	537,331	155,377	42,904	-	735,612

14. Investments held at fair value

The following table provides the fair value measurement hierarchy of the Group's investments. The valuation date for all investments was 31 March 2019.

	Group			Company
	Total	Level 1	Level 2	Level 3
	£	£	£	£
Assets measured at fair value:				
Equities	13,474,220	137,564	-	13,336,656
Fixed income and fixed income equivalents	1,860,825	1,860,825	-	-
	15,335,045	1,998,389	-	13,336,656

14. Investments held at fair value (continued)

Investments held at fair value are represented on the Group and Company statement of financial position as follows:

	Group			Company
	Level 1	Level 3	Total	Total
	£	£	£	£
Valuation at 1 April 2018	3,494,207	9,349,491	12,843,698	9,349,491
Disposals	(1,629,536)	-	(1,629,536)	-
Revaluation (restricted assets)	125,155	-	125,155	-
Revaluation recognised through OCI	8,563	3,987,165	3,995,728	3,987,165
	1,998,389	**13,336,656**	**15,335,045**	**13,336,656**

The revaluation of investments held at year end is taken through other comprehensive income within the consolidated statement of comprehensive income.

At 31 March 2019, Level 1 investments represent one externally managed investment portfolio. The investments form part of the Group's restricted assets and represent part of the Provision Fund that is held to compensate investors in the event of borrower default (see Note 15).

At 31 March 2019, the Level 3 investment represents the Company's investment in RateSetter Australia Pty Limited. RateSetter Australia Pty Limited completed a fund raise during the financial year. A suitable method to calculate the fair value is achievable through the use of the share price obtained during the fund raise.

15. Restricted assets

	2019	2018
	£	£
Restricted investments	1,998,389	3,494,207
Restricted cash and cash equivalents	11,091,388	8,320,074
Restricted working capital	71,233	(902,373)
	13,161,010	**10,911,908**

Restricted assets of £13.2m as at 31 March 2019 represent the capital held by the Group to compensate investors against the potential risk of borrower default and the Group has committed to make this capital available to investors in the event of a borrower defaulting. This is shown on the consolidated statement of financial position as Provision Fund: surplus and provision with a balance of £12.9m as at 31 March 2019. In addition, restricted assets include a capital contribution of £0.3m made by the Group into the Provision Fund in 2015.

16. Investments in subsidiaries

	Company
	£
At 1 April 2018	264,308
Additions	2,007,781
Impairment	(2,272,087)
At 31 March 2019	**2**

The additions relate to capital contributions, made via a commission arrangement to Vehicle Credit Limited and Vehicle Stocking Limited, which have been impaired as they are not expected to be repaid. The opening capital contribution includes £264,306 to RateSetter Trustee Services Limited which has also been impaired as this is included within restricted assets (see Note 15).

16. Investments in subsidiaries (continued)

The consolidated financial statements of the Group include the following UK incorporated entities. All companies are registered at address:
(A) 6th Floor, 55 Bishopsgate, London, EC2N 3AS; or
(B) No.1, Osiers Business Centre, Leicester, LE19 1DX.

Name	Principal activity	Registered address	% equity interest 2019	% equity interest 2018
Direct subsidiaries:				
RateSetter Trustee Services Limited	Marketplace lending	A	100	100
RateSetter Asset Management Limited	Dormant	A	100	100
Indirect subsidiaries:				
RateSetter Motor Limited	Holding company	A	100	100
Security Trustee Services Limited	Holding company	A	100	100
APNL Limited	Digital media	A	100	100
DMNB Limited	Digital media	A	-	100
POQ Media Ltd	Dormant	A	-	100
Vehicle Credit Limited	Motor Finance	B	100	100
Vehicle Stocking Limited	Motor Finance	B	100	100
Vehicle Stocking A Limited	Dormant	B	100	100

17. Loans receivable

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Non-current assets:				
Loans receivable	1,781,320	14,095,108	-	-
	1,781,320	**14,095,108**	-	-
Current assets:				
Intra-group loan	-	-	12,244,002	10,183,525
Intra-group loan impairment	-	-	(12,244,002)	(10,183,525)
Loans receivable	2,697,651	600,000	-	600,000
	2,697,651	**600,000**	-	**600,000**

Following an assessment of the intra-group loan, due from APNL Limited to the parent company, the loan has been fully provided for in the Company's financial statements.

31 March 2019	Within 1 year	Between 1 and 5 years	Total
Future minimum lease payments	4,787,728	2,500,116	**7,287,844**
Unearned finance income	(795,210)	(343,068)	**(1,138,278)**
Impairment provisions	(1,294,867)	(375,728)	**(1,670,595)**
Carrying value	**2,697,651**	**1,781,320**	**4,478,971**

17. Loans receivable (continued)

31 March 2018	Within 1 year	Between 1 and 5 years	Total
Future minimum lease payments	600,000	21,781,447	**22,381,447**
Unearned finance income	-	(6,238,220)	**(6,238,220)**
Impairment provisions	-	(1,448,119)	**(1,448,119)**
Carrying value	**600,000**	**14,095,108**	**14,695,108**

18. *Deferred taxation*

	2019 £	2018 £
Balance at 1 April	-	1,522,509
Timing differences on assets	-	51,358
Write-off of deferred tax asset	-	(1,262,548)
Tax losses arising in the year	-	-
Share-based payments	-	(311,319)
Balance at 31 March	-	-
The deferred tax asset is made up as follows:		
Timing differences on assets	-	-
Tax losses	-	-
Share-based payments	-	-
	-	-

The Group has unrecognised temporary differences of £60.8m arising on gross tax losses, fixed asset and other short term temporary differences. The net unrecognised deferred tax asset is £10.3m calculated at 17%, which is the enacted corporation tax rate effective 1 April 2020. The carried forward tax losses are available to be carried forward indefinitely.

The Company has unrecognised temporary differences of £36.7m (£6.2m at 17%) arising on gross tax losses of £33.6m and other items of £3.1m.

19. Trade and other receivables

The carrying value of the balances shown below are deemed to equate to fair value.

	Group		Company	
	2019 £	2018 £	2019 £	2018 £
Current assets:				
Trade receivables	1,008,102	1,941,824	1,023,537	671,204
Prepayments	820,296	441,148	795,580	359,450
Accrued income	2,168,391	1,391,917	2,133,432	1,391,917
Other receivables	1,207,639	825,070	1,036,553	511,450
Amounts due from group undertakings	-	-	-	1,896,814
	5,204,428	**4,599,959**	**4,989,102**	**4,830,835**

20. Trade and other payables

The carrying value of the balances shown below are deemed to equate to fair value.

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Current liabilities:				
Trade payables	2,221,536	2,628,546	2,129,931	1,901,646
Accruals	2,393,376	1,177,787	2,120,039	710,704
Tax and social security	223,333	649,019	223,333	383,934
Deferred consideration	-	600,000	-	-
Other payables	1,020,613	41,075	203,229	10,255
Amounts owed to group undertakings	-	-	7,899,055	3,481,293
	5,858,858	**5,096,427**	**12,575,587**	**6,487,832**
Non-current liabilities:				
Other payables	-	21,754	-	-
	-	**21,754**	-	-

21. Loans and borrowings

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Current liabilities:				
Loans and borrowings	8,633,715	6,196,920	-	-
Non-current liabilities:				
Loans and borrowings	20,005,650	30,883,783	-	-
	28,639,365	**37,080,703**	-	-

The loans and borrowings were acquired as part of the Group's acquisition of three companies (APNL Limited in 2016, Vehicle Credit Limited and Vehicle Stocking Limited in 2017) each of which have borrowed from the RateSetter investors. These loans and borrowings have been re-termed with the final repayment date moved to August 2024 (previously August 2022). They continue to amortise monthly with an average interest charge of 7%.

22. Provisions

	Group		Company	
	Current	Non-current	Current	Non-current
	£	£	£	£
At 1 April 2018	2,433,762	1,384,178	2,097,822	5,791,809
Arising during the year	792,301	1,294,015	709,582	1,294,015
Released during the year	(1,560,663)	(911,634)	-	(1,892,192)
At 31 March 2019	**1,665,400**	**1,766,559**	**2,807,404**	**5,193,632**

22. Provisions (continued)

Group only provisions

The Group holds a provision of £750k (2018: £1,579k) for sums potentially due to HMRC in relation to historical VAT obligations of the Group subsidiaries acquired during prior financial years, of which all is estimated as due within one financial year.

During the year the Group released a provision of £1,500k for the remediation of a subsidiary's historic non-compliance with the Consumer Credit Act, which on further investigation and legal advice was not required. The Group also released a provision of £61k for estimated claims against warranty products sold by a Group subsidiary prior to its acquisition as these had expired and were no longer required.

Group and Company provisions

The Group and Company hold provisions of: (i) £2,507k (2018: £678k) for onerous contracts, being loans with a negative margin, of which £740k is estimated as due within one financial year; and (ii) £175k (2018: £nil) for sums potentially due to HMRC in relation to income tax of which all is estimated as due within one financial year.

Company only provisions

At 31 March 2019, APNL Limited had loans and borrowings of £5,319k, of which £1,996k is due within one financial year. Following the decision to sell APNL Limited's remaining assets and revenue generating contracts, the Company recognised a provision equal to the outstanding loan balance. This provision is eliminated upon consolidation of the Group accounts.

Three of the Group subsidiaries (APNL Limited, Security Trustee Services Limited and RateSetter Motor Limited) will take advantage of the audit exemption set out within section 479A of the Companies Act 2006 which requires the Company to give a guarantee under section 479C of the Companies Act in respect of the financial year ending 31 March 2019.

Two of the Group subsidiaries (Vehicle Credit Limited and Vehicle Stocking Limited) have been provided with a letter of support from the Company covering a period of at least 12 months from the date of signing their accounts for the year ending 31 March 2019. The Company believes that the subsidiaries have sufficient funds to meet their liabilities as they fall due and does not anticipate being required to provide financial support during the period covered by the letters.

23. Share capital

	2019 No.	2019 £	2018 No.	2018 £
Allotted, called up and fully paid:				
A Ordinary shares of £0.000001 each	6,043,235	6	5,683,771	6
B Ordinary shares of £0.000001 each	452,327	-	214,327	-
		6		6

At 31 March 2019, 638,849 A Ordinary shares of the Company (2018: 637,348) were held by the EBT. The shares held are subject to an agreement between the EBT and the employees that on sale of the shares the employees will be entitled to the sales proceeds to the extent that they are in excess of an agreed value. The EBT also holds 452,327 B Ordinary shares (2018: 214,327).

During the year, the Company issued 349,244 shares for a consideration of £15,047,773.

24. Share-based payments

Enterprise Management Incentives ("EMI") options

In prior years, the Group has awarded share options to employees under the EMI options scheme. The options carry a vesting condition based upon duration of employment service ranging from one to three years from the award date. At 31 March 2019 options were held by a total of 19 employees to subscribe for A Ordinary shares in the Company. The last award of options under this scheme was in May 2015. The weighted average remaining contractual life of the options is 56 months (2018: 69 months).

The following table illustrates the number, weighted average exercise prices ("WAEP") of, and movements in, EMI share options during the year.

	2019 No.	2019 WAEP	2018 No.	2018 WAEP
Outstanding at 1 April	122,410	£7.84	125,544	£7.77
Awarded during the year	-	-	-	-
Forfeited during the year	(1,375)	£3.65	(2,598)	£0.01
Exercised during the year	(3,724)	£6.71	(536)	£0.01
Expired during the year	-	-	-	-
Outstanding at 31 March	**117,311**	**£7.93**	**122,410**	**£7.84**

Growth shares

Growth shares represent an award of non-voting B Ordinary shares in the Company where the ability to receive a capital return is conditional on the growth of the Company's value above a pre-defined threshold. Once the threshold is surpassed the B Ordinary shareholders are entitled to participate in any capital appreciation above the threshold. During the year 238,000 growth shares (2018: nil) were awarded to employees and none (2018: 45,210) were cancelled. Growth shares are bought back by the EBT, at cost, if an employee leaves the Group within three years of the award date. At 31 March 2019 452,327 growth shares were still in issue and held by the EBT on behalf of employees.

Share Incentive Plan

Free shares have been awarded to employees through an HMRC approved Share Incentive Plan ("SIP"). During the year 9,466 A Ordinary shares were awarded to employees through the SIP. Free shares are forfeited by employees leaving the Group within three years of the award date. At 31 March 2019, 13,218 shares remained in the SIP and were held on behalf of employees by an independently managed trust.

The total expense recognised for share-based payments during the year was £79,319 (2018: £108,149).

25. Notes to the statement of cash flows

Net cash flows from operating activities

	2019 £	2018 £
Loss for the year before tax	(8,259,819)	(26,730,550)
Depreciation of property, plant and equipment	370,683	759,998
Loss on disposal of property, plant and equipment	65,006	-
Amortisation of intangible assets	65,063	60,057
Impairment of goodwill	-	13,515,761
Profit on sale of investments	-	(472,728)
Share-based payment award	79,319	108,149
Interest received and similar income	(71,995)	(230,431)
Interest paid on loans and borrowings	396,827	473,746
Decrease in stock	159,325	117,728
Decrease in loans receivable	10,216,137	12,293,533
(Increase) in trade and other receivables	(604,469)	(2,869,683)
Increase in trade and other payables	740,677	922,806
(Decrease) / increase in provisions	(385,981)	899,191
Exclusion of restricted working capital	1,417,472	(448,754)
Net working capital acquired on acquisition of subsidiaries	-	(1,490,000)
Corporation tax adjustment	104,054	62,106
Impact of IFRS 9 adoption on b/fwd retained losses	(467,078)	-
Balance at 31 March	**3,825,221**	**(3,029,071)**

Analysis of net funds

	2019 £	2018 £
Unrestricted cash and cash equivalents	18,903,780	8,229,032
Restricted cash and cash equivalents	11,091,388	8,320,074
Balance at 31 March	**29,995,168**	**16,549,106**

Analysis of changes in net funds / (debt)

	At 1 April 2018 £	Non-cash movements £	Cash flow £	At 31 March 2019 £
Unrestricted cash and cash equivalents	8,229,032	-	10,674,748	18,903,780
Restricted cash and cash equivalents	8,320,074	-	2,771,314	11,091,388
Loans and borrowings	(37,080,703)	-	8,441,338	(28,639,365)
	(20,531,597)	**-**	**21,887,400**	**1,355,803**

25. Notes to the statement of cash flows (continued)

	At 1 April 2017	Non-cash movements	Cash flow	At 31 March 2018
	£	£	£	£
Unrestricted cash and cash equivalents	6,925,335	-	1,303,697	8,229,032
Restricted cash and cash equivalents	11,327,768	-	(3,007,694)	8,320,074
Loans and borrowings	(9,504,905)	(36,500,000)	8,924,202	(37,080,703)
	8,748,198	**(36,500,000)**	**7,220,205**	**(20,531,597)**

26. Related party transactions

The Company owns 14% of RateSetter Australia Pty Limited and one of the directors of the Company is also a director of RateSetter Australia Pty Limited. During the year, the Company received fee revenue of £34,571 (2018: £30,090) from RateSetter Australia Pty Limited, an affiliated entity. A gain on the valuation of the Company's investment in RateSetter Australia Pty Limited of £3,987,165 (2018: £543,832) was recognised through other comprehensive income.

27. Operating lease commitments

The Group and Company had annual commitments under non-cancellable operating leases falling due for payment as follows:

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Expiry date:				
Less than 1 year	1,075,834	1,110,573	1,015,834	1,021,228
Between 1 and 5 years	752,149	1,886,497	512,149	1,527,272
Over 5 years	7,233	67,500	-	-
Outstanding at 31 March	**1,835,216**	**3,064,570**	**1,527,983**	**2,548,500**

28. Corporate information

The Company's registered address is 6th Floor, 55 Bishopsgate, London, EC2N 3AS. The nature of the Company's operations and primary activities are set out in the Strategic report.