RETAIL MONEY MARKET LTD

Annual Report and Consolidated Financial Statements

For the year ended 31 March 2018

Registered number: 07075792

Contents

RETAIL MONEY MARKET LTD

Officers and professional advisors

Directors

P W E Behrens
I D Boyce
M Davies (resigned 21/03/18)
J W G Gunner
A R F Hughes (Chairman; resigned 16/07/17)
A R Lewis (Chief Executive Officer)
P V F S Manduca (appointed 01/06/17; appointed Chairman 16/07/17)
H J T Russell

Registered office

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55 Bishopsgate
London
EC2N 3AS

Independent auditor

Ernst & Young LLP
25 Churchill Place
London
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RETAIL MONEY MARKET LTD

Chairman's statement for the year ended 31 March 2018

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

During the year RateSetter expanded its customer base and saw an encouraging increase in income, although the year was dominated by the Group's withdrawal from wholesale lending and the integration of the two motor finance businesses acquired in May 2017. Approximately half of the loss for the period arose from the recognition of goodwill impairment from these acquisitions. The year also saw some significant milestones, most notably our FCA authorisation in October 2017 and the launch of our ISA in February 2018, and it has been good to see a return to growth since the end of the financial year.

We expect our financial performance to improve as the recent major investments in our platform and people begin to take effect. Moreover, we decided in January 2018 to simplify the borrower side of the business to focus on three markets (consumer, motor and property) and, more recently, we have restructured some of our operations across our London and Leicester offices. Both initiatives will enable us to accelerate the benefits of operational leverage inherent to our business model and evidence of this trend has become apparent since the end of the financial year.

RateSetter continues to deliver value to its customers. For investors (i.e. those lending to the borrowers), it is opening a new asset class and offering an attractive risk-adjusted return in a simple and accessible way. For borrowers, it is opening access to competitive and affordable loans.

RateSetter continues to set standards in transparency with regard to investor communication and remains a pioneer within the peer-to-peer industry in the creation and operation of its Provision Fund, a reserve of money designed to absorb lending losses and, as far as possible, to protect investors' capital. We have an eight-year track record of ensuring no individual investor has lost money on our platform, something of which we are proud.

RateSetter also continues to champion the importance of making peer-to-peer investing accessible to a wide audience and it was rewarding to see this focus on financial inclusion recognised in the Honours List last summer, just as it was pleasing to see some recent press highlighting how RateSetter is helping to improve the image of peer-to-peer lending.

We continue to invest to ensure that RateSetter is well governed and its infrastructure capable of meeting the demands of planned future growth. Maintaining a disciplined and effective focus on all aspects of risk management, operational integrity and regulatory compliance sit alongside the planned initiatives to develop and expand the business.

The Board works with management to agree strategy and oversee its implementation. It seeks to ensure there are the right skills and experience across the executive and non-executive teams. I would like to thank Mark Davies, who left the board in March 2018, for his significant contribution over the last seven years to the development of RateSetter. I would also like to welcome Stuart Bridges to the Board with effect from 1st September 2018, whose breadth of experience will be very valuable as we continue to build the business.

Looking forward, we are in the process of raising funds to strengthen our balance sheet and invest in a sustained period of marketing to help drive the growth of the business and move towards profitability.

It is also appropriate that I express my sincere thanks to the shareholders and the employees of RateSetter for their valued support during the last year. The business has emerged stronger and is now well placed for the next stage of its growth.

Paul Manduca
Chairman
24 July 2018

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 2018.

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 offers 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 (96% as at 31 March 2018) of the loans under management were funded by individuals investing directly with RateSetter. 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 introduce "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 70% and 30%, respectively. The core borrower markets of the Group are consumer, motor and property loans.

Our business model

RateSetter is opening 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 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 and should it not be enough 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 sum of future Expected Losses over the lifetime of the loans. The size of the Provision Fund is its current assets plus its future contracted income from credit fees (discounted to take into account income that may not ultimately be received due to early repayment or non-payment by the borrower). The assumptions underpinning the Expected Losses calculation are reviewed quarterly. RateSetter targets a Coverage Ratio of between 125% and 150%.

In one exceptional scenario, during the restructuring of a wholesale intermediary, the Group decided to intervene in the repayment of a loan, made by that wholesale intermediary to an advertising company (APNL Limited), that was outside of its specialist lending area. The Group determined that because this loan was outside RateSetter's credit policy, it was appropriate to support the loan repayments from its own capital. As part of this arrangement, APNL Limited became a fully-owned subsidiary of the Group.

Key events during the year

The Group has continued to invest in infrastructure, technology and people. The Group's average headcount has increased to 233 employees during the year ended 31 March 2018 (2017: 187 employees).

There were a number of key events and milestones during the year:

- May 2017: wholesale partner, Novitas, was acquired by Close Brothers resulting in the full refinance of all its RateSetter wholesale loans.
- May 2017: the Group completed a capital raise of £13.0m.

- May 2017: acquisition of two motor finance businesses, Vehicle Credit Limited (which provides loans to car buyers) and Vehicle Stocking Limited (which provides stocking facilities to dealerships). These businesses were purchased out of the administration of a former wholesale partner which had become over indebted. They have been fully integrated into the core RateSetter business and together they expand the Group's product offering and distribution capabilities in motor finance. New loans are being originated via the RateSetter platform while the acquired wholesale loan portfolios are amortising.
- July 2017: following the decision to exit wholesale lending, RateSetter offered its investors the opportunity to review their investments and withdraw their capital without incurring any fees. This resulted in a 5% reduction in loans under management.
- August 2017: sale of the Group's minority position in George Banco Limited to Non-Standard Finance plc at which point all its RateSetter wholesale loans were refinanced.
- October 2017: RateSetter receives full FCA authorisation.
- January 2018: decision to cease new lending in unsecured business finance in order to simplify the Group's product offering and focus resources on three core borrowing markets (consumer, motor and property).
- February 2018: launch of RateSetter ISA.
- March 2018: restructuring of operational costs across the business following the acquisitions and business simplification which will result in lower overheads in the next financial year.

Results and performance

The results of the Group for the year, as set out on pages 10-13, show a loss on ordinary activities before tax of (£26.7m) (2017 restated: £23.5m loss) and a shareholders' deficit of (£5.7m) (2017 restated: £8.9m).

Upon acquisition of Vehicle Credit Limited, Vehicle Stocking Limited, Vehicle Credit A Limited and Vehicle Stocking A Limited, the Group recognised a goodwill impairment charge of £13.5m. Excluding the goodwill impairment, the Group's loss before tax was (£13.2m).

During the year, the Group re-valued its investments which has resulted in a gain of £0.4m.

The financial performance, in particular the goodwill impairment charge, reflect the costs faced by the Group from its acquisition of the subsidiaries of one of the Group's wholesale partners. These costs include provisions of £2.3m relating to historical obligations. Revenue, including the revenue generated from the acquisitions, increased by 46.6% from £23.4m to £34.3m. Excluding the acquisitions, underlying revenue increased by 9.0% from £23.4m to £25.5m. This increase was despite a reduction in originations (following the decisions to close wholesale lending and unsecured business lending) which highlights the benefit of the Group's recurring income stream from Loan Management fees. The increase in costs was driven by a combination of the acquisitions and the continued investment in infrastructure, technology and people.

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

	2018	2017
Loans under management as at 31 March	£700.0m	£714.0m
Number of active investors as at 31 March	44,441	42,049
Revenue for the year	£34,343,892	£23,421,325
Loss before tax for the year	(£26,730,550)	(£23,520,041)

Risks and uncertainties

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

- Development of a diverse range of borrower channels with no reliance on a single channel;
- Development of a wide investor base with no reliance on a single investor; and,
- Taking a significant part of its revenue over the course 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:

- A clearly defined "Credit Risk Framework and Risk Appetite" policy;
- The recruitment of specialist skills in credit underwriting and monitoring;
- The segregation of responsibilities for the origination and the credit assessment of loans;
- An Executive Credit Committee to monitor the credit performance of borrowers and to review Expected Losses;
- The development of a strong compliance function;
- A Board Risk Committee, with an independent Non-Executive risk specialist as chair; and

- A Board Audit Committee, with an internal auditor to support the committee and to provide an independent assessment.

In addition to managing the credit risk associated with borrowers via the RateSetter platform, the Group manages other 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 business model is transparently explained on RateSetter's website and RateSetter publishes a range of historical and current RateSetter market 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 unwinding 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 reduce as the loan book amortises before being eliminated entirely.

Market: the risk of financial losses 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 of the fair value of the investment. The Group has also invested a proportion of the Provision Fund in a number of listed debt and equity investments. These investments are held at fair value and as such the Group is exposed to any market and interest rate movements in relation to these investments. 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. The Group monitors this on a regular basis and also charges Access fees to offset this risk. The Group is not obliged to facilitate the secondary market should there be no 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 2018, the RateSetter Group had borrowings of £37.1m with £6.2m repayable in the year to 31 March 2019 and the remainder to be repaid over a five year period.

Regulatory: The Group is open and proactive with its regulators and monitors closely any changes in the regulatory environment that might impact the business.

Post Balance Sheet Events

Sale of subsidiaries

In April 2018, the Group sold its equity shareholding in two subsidiaries, DMNB Limited and POQ Media Ltd.

Capital Raise

The Group is in the process of raising capital (please refer to going concern analysis on page 6 for further details).

Future Developments

The Group will continue to focus on growing responsibly and productively, expanding its investor and borrower base. As its proposition becomes more widely known and as the Group develops and matures it expects future growth.

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

Rhydian Lewis

A R Lewis
Chief Executive Officer
24 July 2018

The directors present their report and the audited financial statements of the Group for the year ended 31 March 2018.

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.

Dividend

The directors do not propose a dividend in respect of the year ended 31 March 2018 (2017: £nil).

Directors

The directors of the Group who each served during the year and up to the date of this report were:

P W E Behrens
I D Boyce (Non-executive Director)
M Davies (Non-executive Director; resigned 21/03/2018)
J W G Gunner (Non-executive Director)
A R F Hughes (Non-executive Director and Chairman; resigned 16/07/2017)
A R Lewis (Chief Executive Officer)
P V F S Manduca (Non-executive Director; appointed 01/06/17 and Chairman; appointed 16/07/17)
H J T Russell

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. Ernst & Young LLP have expressed their willingness to continue as auditor.

Going concern

Whilst the Group has a net liability position of £5.7m at 31 March 2018, the Directors note that this position is driven by £30.9m of long term debt finance, the majority of which is amortising monthly over the period to August 2022.

In addition, whilst the Group has generated a loss of £27.9m for the year to 31 March 2018, the Directors have noted that a significant proportion of this loss is driven by costs associated with the restructuring of the business (that have had no impact on the Group working capital position) or other related costs that are not expected to recur in the future. However, excluding these costs the Group still generated a net cash outflow from operating activities of £3.4m for the year to 31 March 2018 and, despite a residual cash balance of £8.2m at 31 March 2018, the Directors note that a further capital injection will be required to manage the Group's existing obligations and future commitments.

The Group is in the process of raising further capital. The Directors have set a capital target that they believe will provide the Group with sufficient capital to both meet its liabilities over the medium term and provide the Group with the capital needed to invest in the Group's growth and achieve a sustainable position from a profitability and liquidity perspective. The Directors are confident that this target will be met and note that the Group has demonstrated its ability to raise capital as required in the past (including the successful addition of £13.0m of capital in May 2017). In addition, the Directors note that a proportion of the target capital has been underwritten; providing assurance that a minimum target will be achieved. Given this under-written position, management has performed a cash flow analysis that demonstrates, under all reasonable stressed conditions, that the Group will have sufficient capital to meet its liabilities for the foreseeable future (being a period of at least 12 months from the date of this report).

The Directors have a plan for the development of the business through to profitability and beyond, they remain committed to achieving the objective laid out in the Strategic report and, having considered the risks to which the business is exposed, have no reason to believe that these targets will not be attained. Accordingly, the Directors consider that the business has adequate resource to continue for the foreseeable future. Therefore they continue to adopt the going concern basis of accounting in the preparation of the financial statements.

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

A R Lewis
Chief Executive Officer
24 July 2018

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 Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic report and Directors' report that comply with that law.

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 2018 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 and the related notes 1 to 29, 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 2018 and of the Group's loss for the year then ended;
- the Group's financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- 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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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 its 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 Company; or
- the Company'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 7, 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
25 July 2018

Consolidated statement of comprehensive income for the year ended 31 March 2018

	Note	2018 £	2017 Restated £
Revenue		34,343,892	23,421,325
Cost of sales		(15,257,686)	(11,301,943)
Gross profit		**19,086,206**	**12,119,382**
Administrative expenses		(33,030,408)	(21,584,510)
Operating loss	5	**(13,944,202)**	**(9,465,128)**
Interest receivable and similar income	8	230,431	151,394
Interest payable on loans and borrowings		(473,746)	(395,725)
Realised gain arising on sale of investments	9	972,728	-
Impairment of goodwill	10	(13,515,761)	(13,810,582)
Loss before taxation		**(26,730,550)**	**(23,520,041)**
Income tax (charge) / credit	11	(1,178,894)	37,852
Loss for the year		**(27,909,444)**	**(23,482,189)**
Other comprehensive income	14	445,854	8,895,058
Total comprehensive loss for the year		**(27,463,590)**	**(14,587,131)**

The Company's loss after tax for the year was £21,516,985 (2017: £15,246,703 loss).

All amounts relate to continuing activities.

The notes on pages 16 to 39 form part of these financial statements.

RETAIL MONEY MARKET LTD

Consolidated statement of changes in equity for the year ended 31 March 2018

	Share capital £	Share premium £	Other reserves £	Revaluation reserve £	Retained losses £	Total £
At 1 April 2016	**5**	**14,810,193**	**14,285,069**	**-**	**(5,409,074)**	**23,686,193**
Shares issued in the year	1	442,836	-	-	-	**442,837**
Shares purchased by the employee benefit trust in the year	-	-	(250,569)	-	-	**(250,569)**
Cancellation of share premium	-	(14,860,182)	14,860,182	-	-	**-**
Share-based payment award	-	-	105,023	-	-	**105,023**
Deferred tax in respect of share-based payments	-	-	(529,934)	-	-	**(529,934)**
Revaluation of investments	-	-	-	8,895,058	-	**8,895,058**
Loss for the year	-	-	-	-	(23,482,189)	**(23,482,189)**
At 31 March 2017 Restated	**6**	**392,847**	**28,469,771**	**8,895,058**	**(28,891,263)**	**8,866,419**
Shares purchased by the employee benefit trust in the year	-	-	(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	-	-	-	445,854	-	**445,854**
Loss for the year	-	-	-	-	(27,909,444)	**(27,909,444)**
At 31 March 2018	**6**	**799**	**41,734,390**	**9,340,912**	**(56,800,707)**	**(5,724,600)**

Other reserves is made up of the share option reserve, the distributable capital reserve and the own shares reserve. The share option reserve is made up of share options awarded to employees since October 2010. Further detail is provided in Note 24. The distributable capital reserve of £43.3m (2017: £29.9m) arose following capital raises and subsequent cancellations of share premium (a transfer from share premium to a distributable capital reserve) in both the current and prior financial years to ensure that the Company retains sufficient distributable capital to remain compliant with the FCA regulatory capital requirements. 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 16 to 39 form part of these financial statements.

RETAIL MONEY MARKET LTD

Consolidated statement of financial position as at 31 March 2018

	Note	2018 £	2017 Restated £
Fixed assets			
Intangible assets	12	107,285	107,342
Property, plant and equipment	13	1,503,656	2,281,487
Investments held at fair value	14	12,843,698	12,273,800
		14,454,639	14,662,629
Non-current assets			
Loans receivable	17	14,095,108	-
Deferred tax asset	18	-	1,522,509
		14,095,108	1,522,509
Current assets			
Stock		205,711	-
Loans receivable	17	600,000	-
Trade and other receivables	19	4,599,959	2,330,276
Restricted cash		8,320,074	11,327,768
Cash and cash equivalents		8,229,032	6,925,335
		21,954,776	20,583,379
Total assets		**50,504,523**	**36,768,517**
Current liabilities			
Trade and other payables	20	(5,096,427)	(4,195,375)
Deferred income and credit loss provision		(10,212,299)	(13,544,703)
Loans and borrowings	21	(6,196,920)	(1,793,365)
Short-term provisions	22	(2,433,762)	(234,322)
		(23,939,408)	(19,767,765)
Non-current liabilities			
Trade and other payables	20	(21,754)	-
Loans and borrowings	21	(30,883,783)	(7,711,540)
Long-term provisions	22	(1,384,178)	(422,793)
		(32,289,715)	(8,134,333)
Total liabilities		**(56,229,123)**	**(27,902,098)**
Net (liabilities) / assets		**(5,724,600)**	**8,866,419**
Equity			
Share capital	23	6	6
Share premium		799	392,847
Other reserves		41,734,390	28,469,771
Revaluation reserve		9,340,912	8,895,058
Retained losses		(56,800,707)	(28,891,263)
Equity shareholders' (deficit) / funds		**(5,724,600)**	**8,866,419**

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 24 July 2018 by:

A R Lewis
Chief Executive Officer

H J T Russell
Chief Financial Officer

Registered Number: 07075792

The notes on pages 16 to 39 form part of these financial statements.

Consolidated statement of cash flows for the year ended 31 March 2018

	Note	2018 £	2017 Restated £
Net cash flows from operating activities	25	**(3,405,027)**	**(635,193)**
Investing activities			
Purchase of property, plant and equipment		(95,503)	(197,243)
Proceeds from the disposal of property, plant and equipment		133,734	-
Purchase of intangible assets		(60,000)	(92,502)
Purchase of investments		(124,044)	(3,378,725)
Proceeds from sale of investments		1,199,999	-
Dividends and interest received		230,431	151,394
Consideration paid on acquisition of subsidiaries		(1,200,000)	-
Cash acquired on acquisition of subsidiaries		976,124	8,276
Repayment of loans held at amortised cost		-	1,275,000
Net cash flows from investing activities		**1,060,741**	**(2,233,800)**
Financing activities			
Capital raised		13,049,146	-
Proceeds from exercise of share options		-	442,836
Purchase of own shares by employee benefit trust		(3,215)	(250,569)
Interest paid		(473,746)	(395,725)
Repayment of borrowings		(8,924,202)	(5,396,655)
Net cash flows from financing activities		**3,647,983**	**(5,600,113)**
Net increase / (decrease) in net funds		1,303,697	(8,469,106)
Net funds (excluding restricted cash) at 1 April		6,925,335	15,394,441
Net funds (excluding restricted cash) at 31 March		**8,229,032**	**6,925,335**

The notes on pages 16 to 39 form part of these financial statements.

RETAIL MONEY MARKET LTD

Company statement of changes in equity for the year ended 31 March 2018

	Share capital £	Share premium £	Other reserves £	Revaluation reserve £	Retained losses £	Total £
At 1 April 2016	**5**	**14,810,193**	**14,285,069**	**-**	**(5,475,592)**	**23,619,675**
Shares issued in the year	1	442,836	-	-	-	**442,837**
Shares purchased by the employee benefit trust in the year	-	-	(250,569)	-	-	**(250,569)**
Cancellation of share premium	-	(14,860,182)	14,860,182	-	-	**-**
Share-based payment award	-	-	105,023	-	-	**105,023**
Deferred tax in respect of share-based payments	-	-	(529,934)	-	-	**(529,934)**
Revaluation of investments	-	-	-	8,805,643	-	**8,805,643**
Loss for the year	-	-	-	-	(15,246,703)	**(15,246,703)**
At 31 March 2017	**6**	**392,847**	**28,469,771**	**8,805,643**	**(20,722,295)**	**16,945,972**
Shares purchased by the employee benefit trust in the year	-	-	(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**

The notes on pages 16 to 39 form part of these financial statements.

Company statement of financial position as at 31 March 2018

	Note	2018 £	2017 £
Fixed assets			
Intangible assets	12	107,285	107,342
Property, plant and equipment	13	735,612	1,116,749
Investments held at fair value	14	9,349,491	8,805,659
Investments in subsidiaries	16	264,308	264,308
		10,456,696	10,294,058
Non-current assets			
Deferred tax asset	18	-	1,522,509
		-	1,522,509
Current assets			
Loans receivable	17	600,000	-
Trade and other receivables	19	4,830,835	3,259,841
Cash and cash equivalents		7,335,322	6,867,043
		12,766,157	10,126,884
Total assets		**23,222,853**	**21,943,451**
Current liabilities			
Trade and other payables	20	(6,487,832)	(4,340,364)
Short-term provisions	22	(2,097,822)	(234,322)
		(8,585,654)	(4,574,686)
Non-current liabilities			
Long-term provisions	22	(5,791,809)	(422,793)
		(5,791,809)	(422,793)
Total liabilities		**(14,377,463)**	**(4,997,479)**
Net assets		**8,845,390**	**16,945,972**
Equity			
Share capital	23	6	6
Share premium		799	392,847
Other reserves		41,734,390	28,469,771
Revaluation reserve		9,349,475	8,805,643
Retained losses		(42,239,280)	(20,722,295)
Equity shareholders' funds		**8,845,390**	**16,945,972**

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 24 July 2018 by:

A R Lewis
Chief Executive Officer

H J T Russell
Chief Financial Officer

Registered Number: 07075792

The notes on pages 16 to 39 form part of these financial statements.

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 pricing currency in which the transactions of the Group are conducted.

These annual financial statements have been prepared in accordance with IFRS 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 £21,516,985 (2017: £15,246,703 loss).

The preparation of financial statements in conformity with IFRS 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, DMNB Limited, Vehicle Stocking 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 2018.

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). Consolidation of 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

(a) *New standards, amendments and interpretations issued but not effective for the financial period beginning 1 April 2017 and early adopted*

The following new and amended standards and interpretations have been issued and applied:

Standard/ interpretation	Content	Applicable for the financial year beginning after
IFRS 15	Revenue from contracts with customers	1 January 2018

Although adoption of the standard is only mandatory for financial years beginning after 1 January 2018, in view of its significance for the business activities in which the Group operates, the Group decided to early adopt this standard during the prior financial year and apply the standard retrospectively.

1. Accounting policies (continued)

(b) *New standards, amendments and interpretations issued but not effective for the financial period beginning 1 April 2017 and not early adopted*

The following new and amended standards and interpretations have been issued but are not yet applicable and may have a material impact on the Group:

Standard/ interpretation	Content	Applicable for the financial year beginning after
IAS 16 and IAS 38 (Amendments)	Clarification of acceptable methods of depreciation and amortisation	1 January 2018
IFRS 9	Financial instruments: Classification and measurement	1 January 2018
IFRS 16	Leases	1 January 2019

The Group's assessment of the impact of these new standards and interpretations is set out below:

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. There are limited circumstances where the presumption can be overcome, when the intangible asset is expressed as a measure of revenue or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

Currently the Group uses a variety of methods for depreciation of fixed assets and intangible assets as detailed in Note 1.5 but do not use revenue based measures. The directors of the Group believe that these methods are the most appropriate to reflect the consumption of economic benefits inherent in the respective assets and accordingly, the directors of the Group do not anticipate that application of the amendments to IAS 16 and IAS 38 will have a material impact on the Group's financial statements.

IFRS 9, Financial instruments: Classification and measurement

IFRS 9 replaces IAS 39 and addresses the classification, measurement and recognition of financial assets and financial liabilities. The Group has assessed the impact of IFRS 9 to the Group's consolidation financial statements as follows:

- Classification and measurement: The Group's financial assets will be reclassified as amortised cost, fair value through other comprehensive income, or fair value through the income statement. Classification will be based on an analysis of the Group's business model objectives and the contractual cash flow characteristics of its financial assets. Financial liabilities will be accounted for in the same way as under existing standards.

- Impairment: IFRS 9 introduces a three-stage model for impairment based on changes in credit quality since initial recognition with each stage representing a change in the credit risk of a financial instrument. If a significant increase in credit risk is identified, the financial instrument is moved from stage one to stage two but is not yet deemed to be credit impaired; financial instruments that are deemed to be credit impaired are moved to stage three. The expected credit loss for stage one financial instruments is equal to the portion of lifetime expected credit losses that result from default events within the next twelve months. The expected credit loss for stage two and three financial instruments is equal to expected credit losses on a lifetime basis. The Group will be revising its current impairment methodology, with respect to the loans receivable in Vehicle Credit Limited and Vehicle Stocking Limited, to incorporate this change and introducing forward looking information into its calculation of expected credit loss, as required by the new standard.

IFRS 16, Leases

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and 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 standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g. personal computers) and short-term leases (i.e. leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Group do not anticipate that the application of this standard will have a material impact on the Group's profit or loss but will result in recognition of a right-of-use asset and a lease liability on the statement of financial position.

1. Accounting policies (continued)

(c) Changes in revenue recognition approach

A change in the Group's revenue recognition criteria for Credit Performance Fees has resulted in the restatement of certain financial statement line items for the prior period. The restatement represents a reversal of revenue recognised in prior periods.

Impact on equity (increase/(decrease) in equity)

	31 March 2017 £
Deferred income	(279,541)
Current liabilities	(279,541)
Net impact on equity	**(279,541)**

Impact on statement of comprehensive income ((increase)/decrease in loss before tax)

	31 March 2017 £
Revenue	(279,541)
Net impact on loss for the year	**(279,541)**

In addition, distribution costs have been reclassified from administrative expenses to cost of sales and this has resulted in the restatement of certain financial statement line items for the prior period as follows:

Impact on statement of comprehensive income ((increase)/decrease in loss before tax)

	31 March 2017 £
Cost of sales	(8,421,426)
Administrative expenses	8,421,426
Net impact on loss for the year	-

1.4 Summary of significant accounting policies

Investments in subsidiaries, business combinations and goodwill

Subsidiary undertakings are all entities (including special purpose 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 fair value of the investment and the proceeds from disposal is recognised through the statement of comprehensive income.

1. **Accounting policies (continued)**

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. The Group classifies its financial assets, at initial recognition and for subsequent measurement, into two categories:

- Loans and receivables; or
- Available for sale ("AFS") financial assets

Loans and receivables

Financial assets recognised in the Group's statement of financial position as either trade and other receivables or loans receivable are classified as loans and receivables under IAS 39. After initial measurement, loans and receivables are subsequently measured at amortised cost less any provision for impairment. Losses arising from impairment are recognised in the statement of comprehensive income in administrative expenses. The calculation of the impairment provision for financial assets classified as loans and receivables is detailed in Note 2.

AFS financial assets

Financial assets recognised in the Group's statement of financial position as investments held at fair value are classified as AFS financial assets under IAS 39. AFS financial assets include equity investments that are neither classified as held for trading nor designated at fair value through profit or loss. After initial measurement, AFS financial assets are subsequently measured at fair value with unrealised gains or losses recognised in other comprehensive income and credited to the revaluation reserve until the investment is derecognised, at which time, the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the revaluation reserve to the statement of comprehensive income in finance costs.

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 loans and borrowings.

Loans and borrowings

Financial liabilities recognised in the Group's statement of financial position as either loans and borrowings or trade and other payables are classified as loans and borrowings under IAS 39. After initial recognition, interest-bearing loans and borrowings are subsequently measured at cost. Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised.

1. Accounting policies (continued)

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, described as follows, 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

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 other accounting policies

Revenue

Revenue comprises fees earned from financial intermediary services provided (exclusive of Value Added Tax and trade discounts), Credit Performance fees and interest received from the provision of loan finance. Origination fees are recognised on the formation of each loan agreement and Loan Management fees for on-going services provided are recognised on an accruals basis throughout the life of the loan. Interest received, and the associated fees and charges, is recognised on an accruals basis using the effective interest rate method.

Credit Performance fee recognition and deferred income

RateSetter charges risk fees to its borrowers, based on a creditworthiness assessment, which are paid into the Provision Fund. These risk fees are utilised to compensate investors for loan losses with any surplus belonging to RateSetter.

Any risk fee surplus is recognised as a Credit Performance fee. During the year, RateSetter amended its revenue recognition policy with regard to the Credit Performance fees, so that these fees are only recognised once a cohort of loans have amortised and any known deficits from future cohorts are netted off.

Deferred income on the statement of financial position represents: (i) risk fee surplus to be recognised as loan cohorts mature in the future and (ii) risk fees to be utilised as future borrower defaults are incurred.

Cost of sales

Cost of sales comprises 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 loan balances held by Vehicle Credit Limited and Vehicle Stocking Limited is classified as a cost of sale. All amounts are recognised on an accruals basis.

Administrative expenses

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

Interest receivable and similar income

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

1. Accounting policies (continued)

Interest payable on loans and borrowings

Interest payable 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 current and deferred tax. Current tax is recognised in the statement of comprehensive income and is provided at the amount expected to be paid (or recovered) applying tax rates and laws enacted or substantively enacted at the end of the reporting period. 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 provided in full, 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 liabilities are generally recognised for all taxable temporary differences.

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. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. The amortisation expense on intangible assets with finite lives is recognised in the statement of comprehensive income in the expense category that is consistent with the function of the intangible assets.

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. Depreciation 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

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. Provision is made for obsolete and slow-moving stock.

1. **Accounting policies (continued)**

Cash and cash equivalents

Cash and cash equivalents comprises 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 potential 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).

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 certain employees in the form of share options, growth shares and free shares. 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.

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. For accounting purposes, the assets and liabilities 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 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. 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.

2. Significant accounting judgements, estimates and assumptions

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. For these loan contracts, a provision is recognised when it is probable that an outflow of resources embodying economic benefits 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. An estimation technique is required to be adopted in assessing the likelihood that a liability will arise, and to quantify the possible range of the financial settlement. Due to the inherent uncertainty in this evaluation process, actual losses may be different from the originally estimated provision.

Loans receivable impairment

The Group exercises judgement in measuring and recognising provisions related to loans made to individuals that have acquired vehicles under hire purchase contracts. An estimation technique is adopted in assessing the likelihood that a liability will arise, and to quantify the possible range of the financial settlement. 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. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 24.

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 concern, 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 on the following pages.

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.

3. Financial risk management (continued)

The Group's maximum exposure to credit risk by class of financial asset is as follows:

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Non-current assets				
Loans receivable	14,095,108	-	-	-
Current assets				
Trade receivables	1,941,824	137,484	671,204	76,808
Loans receivable	600,000	-	600,000	-
Accrued income	1,391,917	1,394,293	1,391,917	1,394,293
Other receivables	825,070	551,089	511,450	504,136
Amounts due from group undertakings	-	-	1,896,814	1,037,194
Restricted cash	8,320,074	11,327,768	-	-
Cash and cash equivalents	8,229,032	6,925,335	7,335,322	6,867,043
	35,403,025	**20,335,969**	**12,406,707**	**9,879,474**

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 and restricted assets are held with reputable institutions, which are credit assessed regularly.

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 the loans and the capital requirement to compensate investors is limited to the amount held as restricted assets in the financial statements (being the Provision Fund).

The maturity analysis of the financial instruments held by the Group and the Company at 31 March 2018 and 31 March 2017 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	
	2018	2017	2018	2017
	£	£	£	£
Current liabilities				
Trade and other payables	5,096,427	4,195,375	6,487,832	4,340,364
Loans and borrowings	7,949,474	2,265,318	-	-
Non-current liabilities				
Other payables	21,754	-	-	-
Loans and borrowings:				
Between 1 and 2 years	8,911,652	2,265,318	-	-
Between 2 and 5 years	25,403,314	5,801,158	-	-
	47,382,621	**14,527,169**	**6,487,832**	**4,340,364**

3. Financial risk management (continued)

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 £3.49m, a 10% decrease in market prices could have an impact of approximately £349k (2017: £347k) on the income or equity attributable to the Group.

At the reporting date, the exposure to unlisted equity securities at fair value was £9.35m, a 10% decrease in market prices could have an impact of approximately £935k (2017: £881k) 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 £16.5m 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 £83k (2017: £91k) on the income or equity attributable to the Group.

In addition, the Group is exposed to movements in the market rate of its rolling investment product. A 1% increase in this rate would result in a £680k increase in the provision for onerous contracts.

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 $17.1m. 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 £467k (2017: £440k) 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 principal activity.

5. Operating loss

The operating loss of the Group is stated after charging:

	2018 £	2017 £
Depreciation of property, plant and equipment	759,998	693,493
Amortisation of intangible fixed assets	60,057	17,947
Auditor's remuneration – Company	115,000	84,000
Auditor's remuneration – Subsidiaries	70,000	35,700

The Group's auditor did not receive any non-audit fees for services provided to the Group during the year (2017: £nil).

6. Directors' remuneration

	2018 £	2017 £
Short-term employee benefits	846,872	787,545
Post-employment benefits	17,608	2,930
Share-based payments	24,648	16,887
	889,128	**807,362**

The number of directors accruing post-employment benefits during the year was 3 (2017: 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:

	2018 £	2017 £
Short-term employee benefits	243,380	229,618
Post-employment benefits	9,864	1,188
Share-based payments	-	-
	253,244	**230,806**

7. Employees

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

	2018	2017
IT	46	41
Central functions	66	51
Operational	121	95
	233	**187**

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

	2018 £	2017 £
Wages and salaries	15,510,088	10,737,257
Social security costs	1,782,726	1,246,729
Post-employment benefits	306,523	50,666
	17,599,337	**12,034,652**

8. Interest receivable and similar income

	2018 £	2017 £
Income distributions from investment portfolio	69,792	24,515
Interest on lending	116,255	94,889
Interest on bank deposits	44,384	31,990
	230,431	**151,394**

9. Realised gain arising on sale of investments

	2018 £	2017 £
Realised gain arising on sale of investments held at fair value	972,728	-
	972,728	**-**

Within the year, the Group sold a subsidiary, Adpod Media Ltd, and acquired and subsequently sold a minority equity shareholding in George Banco Limited, a UK registered non-listed entity. The realised gains arising on the sale of these investments are £472,728 and £500,000 respectively.

10. Impairment of goodwill

	2018 £	2017 £
Impairment of goodwill on acquisition of subsidiaries	(13,515,761)	(13,810,582)
	(13,515,761)	**(13,810,582)**

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 values of the identifiable assets and liabilities of the four acquired entities at the date of acquisition were:

	Fair value on acquisition £
Assets	
Fixed assets	247,670
Stock	323,439
Loans receivable	26,388,641
Trade and other receivables	219,288
Cash and cash equivalents	976,124
	28,155,162
Liabilities	
Trade and other payables	(1,709,289)
Provisions	(2,261,634)
Loans and borrowings	(36,500,000)
	(40,470,923)
Total identifiable net liabilities at fair value	**(12,315,761)**
Goodwill arising on acquisition	13,515,761
Purchase consideration	**1,200,000**

The goodwill recognised on acquisition has been assessed for impairment and following this review has been fully impaired.

11. Income tax charge / (credit)

The standard UK corporation tax rate was 19% for the year (20% for the year ended 31 March 2017). In 2016, the UK government announced that the rate would be reduced to 17% from 1 April 2020.

	2018	2017
	£	£
Current tax		
Current tax for the year	-	-
Adjustment in respect of previous years	(62,106)	-
	(62,106)	-
Deferred tax		
Origination and reversal of temporary differences	74,448	(53,439)
Write-off of deferred tax asset	1,262,548	-
Adjustment in respect of previous years	(95,996)	15,587
	1,241,000	(37,852)
Total tax charge / (credit)	**1,178,894**	**(37,852)**

The tax charge / (credit) for the year differs from the tax credit calculated at the standard rate of corporation tax in the UK of 19% (2017: 20%) as explained below.

	2018	2017
Loss before tax	(26,730,550)	(23,520,041)
Tax credit at standard rate of corporation tax of 19% (2017: 20%)	(5,078,805)	(4,704,008)
Effects of:		
Expenses not deductible	114,453	169,513
Reversal of previously recognised deferred tax	1,262,548	-
Losses on which deferred tax is not recognised	2,477,808	2,437,442
Impairment of goodwill on acquisition	2,567,995	2,762,116
Share-based payments permanent adjustments	(7,003)	(593,388)
Adjustment in respect of change in accounting policy	-	(85,219)
Adjustment arising from change in tax rate	-	(39,895)
Adjustment in respect of previous years	(158,102)	15,587
Total tax charge / (credit)	**1,178,894**	**(37,852)**

12. Intangible assets

	Group and Company		
	Intellectual property	Software licences	Total
	£	£	£
Cost			
At 1 April 2016	1,587	31,200	32,787
Additions	16,902	75,600	92,502
At 31 March 2017	18,489	106,800	**125,289**
Additions	-	60,000	60,000
At 31 March 2018	18,489	166,800	**185,289**
Depreciation			
At 1 April 2016	-	-	-
Charge for the year	6,233	11,714	17,947
At 31 March 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**
Net book value			
At 31 March 2018	8,946	98,339	**107,285**
At 31 March 2017	12,256	95,086	**107,342**

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 2016	1,007,495	305,166	266,275	-	-	1,578,936
Additions on acquisition	-	1,989	-	1,444,923	-	1,446,912
Additions	-	155,456	41,787	-	-	197,243
Disposals	-	(312)	-	-	-	(312)
At 31 March 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**
Depreciation						
At 1 April 2016	67,166	80,530	100,103	-	-	247,799
Charge for the year	201,499	123,031	86,789	282,174	-	693,493
At 31 March 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**
Net book value						
At 31 March 2018	540,223	181,979	48,937	679,211	53,306	**1,503,656**
At 31 March 2017	738,830	258,738	121,170	1,162,749	-	**2,281,487**

13. Property, plant and equipment (continued)

	Company			
	Property and leasehold improvements	Office equipment	Fixtures and fittings	Total
	£	£	£	£
Cost				
At 1 April 2016	1,007,495	305,166	266,275	1,578,936
Additions	-	155,456	41,787	197,243
Disposals	-	(312)	-	(312)
At 31 March 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**
Depreciation				
At 1 April 2016	67,166	80,530	100,103	247,799
Charge for the year	201,499	123,031	86,789	411,319
At 31 March 2017	268,665	203,561	186,892	**659,118**
Charge for the year	201,499	148,898	79,823	430,220
At 31 March 2018	470,164	352,459	266,715	**1,089,338**
Net book value				
At 31 March 2018	537,331	155,377	42,904	**735,612**
At 31 March 2017	738,830	256,749	121,170	**1,116,749**

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 2018.

	Investment hierarchy			
	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	£	£	£	£
Assets measured at fair value:				
Equities	9,954,454	604,963	-	9,349,491
Fixed income and fixed income equivalents	2,889,244	2,889,244	-	-
	12,843,698	**3,494,207**	**-**	**9,349,491**

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 2017	3,468,141	8,805,659	12,273,800	8,805,659
Additions	124,044	-	124,044	-
Revaluation	(97,978)	543,832	445,854	543,832
	3,494,207	**9,349,491**	**12,843,698**	**9,349,491**

The revaluation of investments held at year end is taken through other comprehensive income within the consolidated statement of comprehensive income on page 10.

At 31 March 2018, level 1 investments represent two investment portfolios managed by third parties. 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 2018, 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

	2018	2017
	£	£
Restricted investments	3,494,207	3,468,141
Restricted cash	8,320,074	11,327,768
	11,814,281	**14,795,909**

Restricted assets 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.

16. Investments in subsidiaries

	Company
	£
Carrying value at 1 April 2017	264,308
Additions	-
Carrying value at 31 March 2018	**264,308**

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.

16. Investments in subsidiaries (continued)

Name	Principal activity	Registered address	% equity interest 2018	% equity interest 2017
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	-
Security Trustee Services Limited	Holding company	A	100	100
APNL Limited	Digital media	A	100	100
DMNB Limited	Digital media	A	100	100
POQ Media Ltd	Dormant	A	100	100
Vehicle Credit Limited	Motor Finance	B	100	-
Vehicle Stocking Limited	Motor Finance	B	100	-
Vehicle Stocking A Limited	Dormant	B	100	-

17. Loans receivable

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Non-current assets:				
Loans receivable	14,095,108	-	-	-
	14,095,108	**-**	**-**	**-**
Current assets:				
Intra-group loan	-	-	10,183,525	7,225,022
Intra-group loan impairment	-	-	(10,183,525)	(7,225,022)
Loans receivable	600,000	-	600,000	-
	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.

18. Deferred taxation

	2018	2017
	£	£
Balance at 1 April	1,522,509	2,014,591
Timing differences on assets	51,358	49,793
Write-off of deferred tax asset	(1,262,548)	-
Tax losses arising in the year	-	(36,246)
Share-based payments	(311,319)	(505,629)
Balance at 31 March	-	**1,522,509**
The deferred tax asset is made up as follows:		
Timing differences on assets	-	(51,358)
Tax losses	-	1,262,548
Share-based payments	-	311,319
	-	**1,522,509**

The Group has unrecognised temporary differences of £58.2m above the amount recognised in the financial statements, arising on gross tax losses. The net unrecognised deferred tax asset is £9.9m 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 £46.3m (£7.9m at 17%) above the amounts recognised in the financial statements, arising on gross tax losses of £35.7m and a general provision of £10.6m.

19. Trade and other receivables

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

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Current assets:				
Trade receivables	1,941,824	137,484	671,204	76,808
Prepayments	441,148	247,410	359,450	247,410
Accrued income	1,391,917	1,394,293	1,391,917	1,394,293
Other receivables	825,070	551,089	511,450	504,136
Amounts due from group undertakings	-	-	1,896,814	1,037,194
	4,599,959	**2,330,276**	**4,830,835**	**3,259,841**

20. Trade and other payables

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

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Current liabilities:				
Trade payables	2,628,546	1,469,519	1,901,646	1,320,542
Accruals	1,177,787	2,092,381	710,704	2,290,716
Tax and social security	649,019	300,356	383,934	393,965
Deferred consideration	600,000	-	-	-
Other payables	41,075	333,119	10,255	335,141
Amounts owed to group undertakings	-	-	3,481,293	-
	5,096,427	**4,195,375**	**6,487,832**	**4,340,364**
Non-current liabilities:				
Other payables	21,754	-	-	-
	21,754	**-**	**-**	**-**

21. Loans and borrowings

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Current liabilities:				
Loans and borrowings	6,196,920	1,793,365	-	-
Non-current liabilities:				
Loans and borrowings	30,883,783	7,711,540	-	-
	37,080,703	**9,504,905**	**-**	**-**

At 31 March 2018, total loans and borrowings included a loan balance of £7.2m held by APNL Limited (2017: £9.5m). As part of the acquisition of Vehicle Credit Limited, Vehicle Stocking Limited, Vehicle Credit A Limited and Vehicle Stocking A Limited, the Group acquired additional loans of £36.5m. Since acquisition the Group has re-paid £7.1m of this debt and the balance at 31 March 2018 of £29.4m continues to amortise monthly.

22. Provisions

	Group		Company	
	Current	Non-current	Current	Non-current
	£	£	£	£
At 1 April 2017	234,322	422,793	234,322	422,793
Arising during the year	2,228,131	961,385	1,892,191	5,369,016
Released during the year	(28,691)	-	(28,691)	-
At 31 March 2018	**2,433,762**	**1,384,178**	**2,097,822**	**5,791,809**

22. Provisions (continued)

Total provisions comprise the following:

Group only provisions

A provision of £1,500k for the remediation of an acquired subsidiary's historic non-compliance with the Consumer Credit Act of which all is estimated as due within one financial year.

A provision of £1,579k for sums potentially due to HMRC in relation to historical VAT obligations of the Group subsidiaries acquired during the last two financial years, of which £667k is estimated as due within one financial year.

A provision of £61k for estimated claims against warranty products sold by a Group subsidiary prior to its acquisition, all due within one financial year.

Group and Company provisions

A provision of £678k for onerous contracts, being either loans with a negative service rate that is locked-in for the term of the loan (£383k) or loans with a variable service rate that were negative as at 31 March 2018 (£295k), of which £206k is estimated as due within one financial year.

Company only provisions

At 31 March 2018, APNL Limited had loans and borrowings of £7,211k, of which £1,892k is due within one financial year. Following the decision to sell APNL Limited's remaining assets and revenue generating contracts, the ultimate parent company recognised a provision equal to the outstanding loan balance. This provision is eliminated upon consolidation of the Group accounts.

23. Share capital

	2018 No.	2018 £	2017 No.	2017 £
Allotted, called up and fully paid:				
A Ordinary shares of £0.000001 each	5,683,771	6	5,320,425	6
B Ordinary shares of £0.000001 each	214,327	-	214,327	-
		6		6

At 31 March 2018, 637,143 A Ordinary shares of the Company (2017: 639,690) 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 214,327 B Ordinary shares (2017: 214,327). The total value of the shares purchased by the EBT during the year was £3,215 (2017: £250,569).

During the year, the Company issued 356,509 shares for the consideration of £13,049,146. Share premium of £13,441,194 was subsequently cancelled and transferred to the distributable capital reserve, included within other reserves in the statement of changes in equity on page 11.

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 2018 options were held by a total of 24 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 69 months (2017: 82 months).

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

	2018 No.	2018 WAEP	2017 No.	2017 WAEP
Outstanding at 1 April	125,029	£7.68	252,973	£5.88
Awarded during the year	-	-	-	-
Forfeited during the year	(2,083)	£0.01	(4,997)	£20.48
Exercised during the year	(536)	£0.01	(122,947)	£3.43
Expired during the year	-	-	-	-
Outstanding at 31 March	**122,410**	**£7.84**	**125,029**	**£7.68**

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 no growth shares (2017: 259,537) were awarded to employees and 45,210 (2017: nil) were cancelled. Growth shares are bought back by the Group, at cost, if an employee leaves the Group within three years of the award date. At 31 March 2018 214,327 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 7,754 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 2018 12,551 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 is £108,149 (2017: £105,023).

25. Notes to the statement of cash flows

Cash generated from operations

	2018	2017
	£	£
Loss for the year before tax	(26,730,550)	(23,520,041)
Depreciation of property, plant and equipment	759,998	693,493
Amortisation of intangible assets	60,057	17,947
Disposal of property, plant and equipment	-	312
Impairment of goodwill	13,515,761	13,810,582
Increase in provisions	899,191	443,475
Profit on sale of investments	(972,728)	-
Share-based payment transaction expense	108,149	105,023
Interest and dividends received	(230,431)	(151,394)
Interest paid	473,746	395,725
Decrease in stock	117,728	-
Repayment of loans receivable	12,293,533	-
(Increase) / decrease in trade and other receivables	(2,869,683)	4,077,296
(Decrease) / increase in payables and deferred income	(2,409,598)	8,237,863
Decrease / (increase) in restricted cash	3,007,694	(4,381,264)
Net working capital acquired on acquisition of subsidiaries	(1,490,000)	(364,210)
Corporation tax adjustment	62,106	-
Balance at 31 March	**(3,405,027)**	**(635,193)**

Analysis of net funds

	2018	2017
	£	£
Cash and cash equivalents	8,229,032	6,925,335
Restricted cash	8,320,074	11,327,768
Balance at 31 March	**16,549,106**	**18,253,103**

Analysis of changes in net debt

	At 1 April 2017	Non-cash movements	Cash flow	At 31 March 2018
	£	£	£	£
Cash and cash equivalents	6,925,335	-	1,303,697	8,229,032
Restricted cash	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

During the year, the Company charged loan interest of £nil (2017: £13,597) to the RateSetter Provision Fund Trust, an affiliated entity of the Company.

During the year, the Company received fee revenue of £30,090 (2017: £31,955) from RateSetter Australia Pty Limited, an affiliated entity. A gain on the valuation of the Company's investment in RateSetter Australia Pty Limited of £543,832 (2017: £8,805,643) 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	
	2018	**2017**	**2018**	**2017**
	£	**£**	**£**	**£**
Expiry date:				
Less than 1 year	1,110,573	164,993	1,021,228	107,267
Between 1 and 5 years	1,886,497	3,601,615	1,527,272	3,388,327
Over 5 years	67,500	6,977	-	-
Outstanding at 31 March	**3,064,570**	**3,773,585**	**2,548,500**	**3,495,594**

28. Contingent liabilities

A subsidiary of the Group has received a claim from a third party ("the Claimant") for the repayment of a debt finance obligation that the Claimant considers to be attributable to and payable by the Group's subsidiary. The Claimant is seeking to recover an aggregate amount of approximately £1.0m from the Group. The Directors of the Group, having taken advice from legal counsel, do not consider that this is an obligation of the Group's subsidiary and that the amount that the Claimant is seeking to recover is attributable to another third party outside of the Group. The amount continues to be contested. However, given that the uncertainty regarding whether the Group has any obligation to the Claimant and the timing of any future settlement remains uncertain, the Directors do not consider that an accurate estimation of any future liability can be made at 31 March 2018; accordingly, no provision has been recognised with respect to this claim.

29. 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.