

## **Octopus P2P Limited**

Annual report and consolidated financial statements

For the year ended 30 April 2017

Registered number: 09781675



**COMPANY INFORMATION**

**Directors** C R Hulatt

**Company Secretary** S Waterhouse (appointed 17 May 2017)

**Company Registration Number** 09781675

**Registered Office** 6<sup>th</sup> Floor  
33 Holborn  
London  
EC1N 2HT

**Auditor** Deloitte LLP  
London

**Bankers** HSBC plc  
31 Holborn  
London  
EC1N 2HR

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## **DIRECTORS' REPORT**

For the year ended 30 April 2017

The directors present their report on the affairs of Octopus P2P Limited ("the Company") and its subsidiaries (together the "Group") together with the consolidated and single company financial statements and auditor's report, for the year ended 30 April 2017.

### **Going concern**

The directors have a reasonable expectation that the Company and Group have adequate resources, together with support from its parent company and the wider ultimate parent group, to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

Further details regarding the adoption of the going concern basis can be found in the Accounting Policies note in the financial statements.

### **Dividends**

The directors do not recommend a final dividend to be paid in the current year (2016: £ nil).

### **Approval of Reduced disclosure**

The Company, as a qualifying entity, has taken advantage of the disclosure exemptions in FRS 102 paragraph 1.12. The notable area of disclosure which will be affected is related party disclosures: these will be disclosed in the annual accounts of the Company's ultimate parent undertaking, Octopus Capital Limited, but not the Company or other subsidiary companies who will adopt the exemption to disclose in their own accounts.

The Company's shareholder has been notified in writing about the intention to take advantage of the disclosure exemptions and no objections have been received.

### **Directors**

The directors who served throughout the year and as of the date of this report were as follows:

C R Hulatt

### **Director's indemnities**

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

### **Political contributions**

No political donations or political contributions to non-EU political organisations were made during the year (2016: £ nil).

### **Future developments**

Details of future developments can be found in the Strategic Report on page 6.

### **Events after the balance sheet date**

Details of significant events since the balance sheet date are contained in note 18 to the financial statements.

## **DIRECTORS' REPORT (continued)**

For the year ended 30 April 2017

### **Auditor**

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as that director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

Deloitte LLP has indicated its willingness to be reappointed for another term and a resolution to reappoint them will be proposed at the next Annual General Meeting.

Approved by the Board and signed on its behalf by:



C R Hulatt  
Director

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**Registered Office:**

6<sup>th</sup> Floor  
33 Holborn,  
London,  
EC1N 2HT

## STRATEGIC REPORT

For the year ended 30 April 2017

### Principal activities

The principal activity of the Group during the year and as of the date of this report was that of building products and services enabled by financial technology. The principal activity of the Company is holding 100% of the issued share capital of Octopus Co-Lend Limited and Octopus Institutional Deposits Limited.

Octopus Co-Lend Limited is regulated by the Financial Conduct Authority and its principal activity is that of providing an online platform for peer to peer investment and holding a Trust whose Trustee is Octopus Institutional Deposits Limited. Octopus Co-Lend Limited's revenues are derived from platform fees, administrative fees and arrangement fees.

Octopus Institutional Deposits Limited's principal activity is that of providing day to day management services to an online platform and acting as Trustee to the Octopus Co-Lend Limited's Trust (the "Trust"). This platform is offered by Octopus Co-Lend Limited and allows individuals and companies to deposit their cash with multiple banks through one single account. Octopus Institutional Deposits Limited has no legal rights and obligations over the investors' cash deposits held by the Trust and its revenues are derived from margin share charged on the amount of cash deposited with banks.

### Business review and key performance indicators

Octopus P2P Limited is the holding company of the Group which provide two online platforms, one allows individuals and companies to invest in asset backed loans and the other allows individuals and companies to deposit their cash with multiple banks through one single account.

The results for the Group show a pre-tax loss of £2,021,099 (2016: £337,258) for the year on turnover of £2,151,097 (2016: £182,482). The loss for the year, after taxation, amounted to £2,021,099 (2016: £337,258).

As a start-up the directors expect the Group to continue to invest and grow whilst incurring losses in the early years.

The Group has no debt (2016: £ nil) and shareholders' funds amount to a deficit of £2,358,356 (2016: deficit of £337,257).

There were no significant events requiring disclosure in the financial statements after the balance sheet date.

For Octopus Co-Lend Limited, the Board of directors have selected three key performance indicators against which to measure the Company's performance. Together they give an overview of business growth, financial performance and customer satisfaction.

- Assets Under Management ("AUM"): This informs the Board of the current value of customer assets managed and as at 30 April 2017 the AUM for Octopus Co-Lend Limited was £51.5m (2016: £0.4m)
- AUM Growth Rate: This informs the Board of the current growth rate in AUM and as at 30 April 2017 the AUM monthly growth rate was 14%.
- Net Promoter Score ("NPS"): This informs the Board of the likelihood of a customer recommending Octopus Choice, the trading name of the online platform provided by the Company, to their friends and family. NPS is ultimately a measure of how happy our customers are. The NPS performance measure was implemented after the year end and the score was 50 as at 1 August 2017.

Due to the short period of operations of Octopus Institutional Deposits Limited in the current financial year, no key performance indicators have been implemented.

## **STRATEGIC REPORT (continued)**

For the year ended 30 April 2017

### **Principal risks and uncertainties**

The Management Committee identifies, assesses and manages risks associated with the Group's business objectives and strategy. Risks arise from external sources, those which are inherent commercial risks in the market place and business and from operational risks contained within the systems and processes employed within the business.

#### *External Risks*

External risks can arise from changes to the political, legal and regulatory environment. Furthermore, the Management Committee are assessing the potential implications of the UK's Brexit decision, and how this may affect the Group.

#### *Operational Risk*

Operational risk arises from a weakness or failure in a business's systems and controls. The Group relies on efficient and well-controlled processes. The potential impact and likelihood of processes failing and operational risk materialising is assessed on a regular basis. Where these likelihoods are felt to be outside of the directors' appetite for risk, management actions and/or control improvements are identified in order to bring each potential risk back to within acceptable levels. Octopus also has a disaster recovery plan in place covering current business requirements.

#### *Business Risk*

The Group's revenues are derived from platform fees which is dependent on the headline interest rate as well as the number of loans completed. This encompasses issues such as the availability of assets for investment across the industry and reputational issues that affect the sector as a whole.

Another stream of revenue is margin share chargeable on cash deposited with banks which may be affected by the Bank of England base rate, LIBOR and the prevailing savings interest rate available in the market.

The reputation of the business is one of Octopus' most important assets since it operates in an industry where customer trust and confidence are key. There is a system of internal controls which seek to ensure that events which would damage the reputation of the business are prevented. Management is active in seeking knowledge on changes to the business environment which may have an impact on the way Octopus does business.

### **Treating customers fairly**

Treating customers fairly is part of the Group's business ethos and ensures activities comply with the FCA principle, "A firm must pay due regard to the interests of its customers and treat them fairly". The fair treatment of customers is central to the corporate culture.

### **Regulatory Disclosures**

The Company's subsidiary Octopus Co-Lend Limited is authorised and regulated by the Financial Conduct Authority ("FCA") under the requirements for operators of electronic systems in relation to lending. Octopus Co-Lend Limited is on the Financial Services Register and its FCA registration number is 722801. It reports under the regulatory framework of Interim Prudential sourcebook for Investment Businesses ("IPRU") and has filled all regulatory returns on time and satisfactorily during the year.

**STRATEGIC REPORT (continued)**

For the year ended 30 April 2017

**Future Developments**

The directors expect the general level of activity and growth to increase in the forthcoming year. This is as a result of the early stage of the business and the current and expected growth rate.

Approved by the Board and signed on its behalf by:



C R Hulatt

Director

7 September 2017

Registered Office:

6<sup>th</sup> Floor

33 Holborn,

London,

EC1N 2HT

## **DIRECTORS' RESPONSIBILITIES STATEMENT**

*For the year ended 30 April 2017*

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

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, including FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OCTOPUS P2P LIMITED**

We have audited the financial statements of Octopus P2P Limited for the year ended 30 April 2017 which comprise of the Group Consolidated Statement of Comprehensive Income, Group Consolidated and Parent Company Balance Sheets, Group Consolidated and Parent Company Statements of Changes in Equity, Group Consolidated Cash Flow Statement and the related notes 1 to 18. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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

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

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the parent company's affairs as at 30 April 2017 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

In our opinion, 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.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OCTOPUS P2P LIMITED (Continued)**

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

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

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



Jessica Hodges (Senior statutory auditor)  
for and on behalf of Deloitte LLP  
Statutory Auditor  
London, UK  
7 September 2017

# **CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 30 April 2017

	Notes	Year ended 30 April 2017 £	Year ended 30 April 2016 £
Turnover	1,3	2,151,097	182,482
Cost of sales		(1,143,662)	(108,476)
<b>GROSS PROFIT</b>		<b>1,007,435</b>	<b>74,007</b>
Administrative expenses		(2,979,701)	(417,965)
<b>OPERATING LOSS</b>		<b>(1,972,266)</b>	<b>(343,958)</b>
<b>LOSS ON ORDINARY ACTIVITIES BEFORE FINANCE INCOME</b>		<b>(1,972,266)</b>	<b>(343,958)</b>
Finance income (net)	6	292	-
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	4	<b>(1,971,974)</b>	<b>(343,958)</b>
Tax on loss on ordinary activities	8	-	-
<b>LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE FINANCIAL YEAR</b>		<b>(1,971,974)</b>	<b>(343,958)</b>

All amounts relate to continuing operations.

There is no other comprehensive income, and as such no separate statement of other comprehensive income has been prepared.

The notes on pages 17 to 26 form part of these financial statements.

**CONSOLIDATED BALANCE SHEET**

At 30 April 2017

	Notes	2017 £	2016 £
<b>FIXED ASSETS</b>			
Goodwill - Subsidiaries	9	57,620	73,700
Intangible assets	9	1,041,343	597,341
Tangible assets	10	27,827	16,059
		<u>1,126,790</u>	<u>687,100</u>
<b>CURRENT ASSETS</b>			
Debtors - due within one year	13	715,747	137,666
Cash at bank and in hand		2,070,492	1,552,264
<b>CREDITORS: due within one year</b>	14	<u>(978,960)</u>	<u>(720,987)</u>
<b>NET CURRENT LIABILITIES</b>		<u>1,807,279</u>	<u>968,943</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		2,934,069	1,656,043
<b>CREDITORS: due after one year</b>	14	(5,250,000)	(2,000,000)
<b>NET LIABILITIES</b>		<u>(2,315,931)</u>	<u>(343,957)</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	15	1	1
Profit and loss account		(2,309,232)	(343,958)
Other reserves		(6,700)	-
<b>SHAREHOLDERS' FUNDS</b>		<u>(2,315,931)</u>	<u>(343,957)</u>

The consolidated financial statements of Octopus P2P Limited (registered number: 09781675) and its subsidiaries were approved by the Board of Directors and authorised for issue on 7 September 2017. They were signed on its behalf by:



C R Hulatt  
Director

The notes on pages 17 to 26 form part of these financial statements.

**COMPANY BALANCE SHEET**

At 30 April 2017

	Notes	2017 £	2016 £
<b>FIXED ASSETS</b>			
Intangible assets	9	3,461	-
Subsidiary undertakings	11	5,080,402	2,080,401
		<u>5,083,863</u>	<u>2,080,401</u>
<b>CURRENT ASSETS</b>			
Debtors - due within one year	13	149,999	-
Cash at bank and in hand		56,920	-
<b>CREDITORS: due within one year</b>	14	<u>(135,648)</u>	<u>(80,400)</u>
<b>NET CURRENT ASSETS</b>		<u>71,270</u>	<u>(80,400)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		5,155,134	2,000,001
<b>CREDITORS: due after one year</b>	14	<u>(5,250,000)</u>	<u>(2,000,000)</u>
<b>NET ASSETS</b>		<u>(94,866)</u>	<u>1</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	15	1	1
Profit and loss account		<u>(94,867)</u>	<u>-</u>
<b>SHAREHOLDERS' FUNDS</b>		<u>(94,866)</u>	<u>1</u>

The loss for the financial year ended 30 April 2017 was £94,867 (2016: £ nil).

The financial statements of Octopus P2P Limited (registered number: 09781675) were approved by the Board of Directors and authorised for issue on 7 September 2017. They were signed on its behalf by:



C R Hulatt  
Director

The notes on pages 17 to 26 form part of these financial statements.

# **CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the year ended 30 April 2017

	Called-up share capital	Profit and loss account	Total
	£	£	£
<b>At 17 September 2015</b>	-	-	-
Issue of share capital	1	-	1
Dividends paid	-	-	-
Total comprehensive loss for the period	-	(343,958)	(343,958)
<b>At 30 April 2016</b>	1	(343,958)	(343,957)
Issue of share capital	-	-	-
Dividends paid	-	-	-
Total comprehensive loss for the period	-	(1,971,974)	(1,971,974)
<b>At 30 April 2017</b>	<b>1</b>	<b>(2,315,932)</b>	<b>(2,315,931)</b>

The notes on pages 17 to 26 form part of these financial statements.

# **COMPANY STATEMENT OF CHANGES IN EQUITY**

For the year ended 30 April 2017

	Called-up share capital	Profit and loss account	Total
	£	£	£
<b>At 17 September 2015</b>			
Issue of share capital	1	-	1
Dividends paid	-	-	-
Total comprehensive income for the period	-	-	-
<b>At 1 May 2016</b>	1	-	1
Issue of share capital	-	-	-
Dividends paid	-	-	-
Total comprehensive loss for the period	-	(94,867)	(94,867)
<b>At 30 April 2017</b>	1	(94,867)	(94,866)

The notes on pages 17 to 26 form part of these financial statements.

**CONSOLIDATED CASH FLOW STATEMENT**

For the year ended 30 April 2017

	Notes	Year ended 30 April 2017 £	Year ended 30 April 2017 £
<b>Net cash flows from operating activities</b>	16	1,253,988	2,281,246
<b>Cash flows from investing activities</b>			
Purchase of tangible fixed assets		(25,680)	(16,059)
Purchase of intangible assets		(710,372)	(632,524)
Goodwill arisen on acquisition of subsidiary		-	(80,400)
Interest received		292	-
<b>Net cash flows from investing activities</b>		<u>(735,760)</u>	<u>(728,983)</u>
<b>Cash flows from financing activities</b>			
Issue of ordinary shares		-	1
<b>Net cash flows from financing activities</b>		<u>-</u>	<u>1</u>
<b>Net increase in cash and cash equivalents</b>		<u>518,228</u>	<u>1,552,264</u>
<b>Cash at beginning of year</b>		<u>1,552,264</u>	<u>-</u>
<b>Cash at end of year</b>		<u><u>2,070,492</u></u>	<u><u>1,552,264</u></u>

The notes on pages 17 to 26 form part of these financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 April 2017

### 1. Accounting Policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the prior period.

#### General information

Octopus P2P Limited is a company incorporated in the United Kingdom under the Companies Act. The Company is a private Company limited by shares and is registered in England and Wales. The address of the registered office is given on page 2. The nature of the Group's operations and its principal activities are set out in the strategic report on page 6.

The functional currency of Octopus P2P Limited and its subsidiaries is considered to be pounds sterling because that is the currency of the primary economic environment in which the Group operate. The financial statements are also presented in pounds sterling.

#### Basis of accounting and preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS 102) 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' issued by the Financial Reporting Council.

The Company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. The Company is consolidated in the financial statements of its parent, Octopus Capital Limited, which may be obtained at Company Secretary, Octopus Capital Limited, 6th Floor, 33 Holborn, London EC1N 2HT. Exemptions have been taken in relation to financial instruments, risk management, related party transactions and remuneration of key management personnel.

#### Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and all of its subsidiary undertakings ('subsidiaries') drawn up to 30 April each year. The results of subsidiaries acquired or sold are consolidated from the effective date of acquisition. The year-end of each subsidiary is coterminous with the Company.

#### Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report. The Strategic Report also describes the financial position of the Group.

The Group has sufficient financial resources together with support from its parent company and the wider ultimate parent group. As such, the directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

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

#### Related party transactions

The Company has taken advantage of the exemption in paragraph 33.1A of FRS 102 not to disclose transactions with wholly owned ultimate parent group companies wherein any subsidiary undertaking which is a party to the transactions is wholly-owned by the ultimate parent company, Octopus Capital Limited.

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

For the year ended 30 April 2017

### **1. Accounting Policies (continued)**

#### **Turnover**

Turnover comprises revenue which is recognised to the extent that it is probable that economic benefits will flow to the Group and such revenue can be reliably measured. Revenue represents platform fees, administrative fees, arrangement fees and margin share chargeable on the portion of asset under management by the Group. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within one year.

#### **Taxation**

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains or losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time that the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax assets and liabilities are not discounted.

#### **Cost of sales**

Costs of sales comprise fees paid directly in relation to loan completions and, consequently, turnover. This predominantly involves charges paid to brokers and fees associated with collecting funds under management via a third party payment processor.

#### **Intangible assets - Goodwill**

Goodwill arising on the acquisition of subsidiary and associated undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and amortised on a straight line basis over its estimated useful economic life, which is five years. Provision is made for any impairment.

#### **Intangible assets – software**

Software intangible assets are primarily staff and contractor costs associated with working on the online platform. It is included at cost and amortised using reducing balance over a period of 3 years which is their estimated useful economic life.

#### **Intangible assets - website**

Website intangible assets are costs associated with website development. It is included at cost and amortised using straight line over a period of 2 years which is their estimated useful economic life.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 April 2017

### 1. Accounting Policies (continued)

#### Investments in subsidiaries

Investments in subsidiaries are valued at cost less provision for impairment in the Company only accounts.

#### Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight line basis over its expected useful life, as follows:

Equipment: 3 years

Residual value is calculated on prices prevailing at the date of acquisition or revaluation.

### 2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

#### *Capitalisation of staff costs*

A percentage of staff costs were deemed to be directly related to working on the online platform. The following judgements were used:

Technology team: 100% of staff costs on developers who are responsible for adding new modules and features are capitalised as intangible assets. Staff costs on developers who are responsible for system maintenance are expensed through the statement of comprehensive income.

Product and management team: Responsible for building the product structure and scaling the business. This included designing trading algorithms, pricing structures, collateral and transaction structures. After launching the product in May 2016 the product and management team focus shifted from product design to distribution and scaling up of the platform, therefore no costs were capitalised in this regard during the year.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

For the year ended 30 April 2017

**3. Turnover**

Turnover during the year ended 30 April 2017 was all generated by the one segment, that of providing an online platform for peer to peer investment and is in the UK, hence no segmental or geographical analysis is required.

There was no margin fee generated during the current or prior financial years.

An analysis of the Group's turnover is set out below:

	2017	2016
	£	£
Loan platform fees	639,506	31,436
Arrangement fees	1,372,382	143,536
Administrative fees	139,209	7,510
<b>Turnover</b>	<b>2,151,097</b>	<b>182,482</b>

**4. Loss on ordinary activities before taxation**

Loss on ordinary activities before taxation is stated after charging:

	2017	2016
	£	£
Amortisation of goodwill (note 9)	16,080	6,700
Amortisation of intangible fixed assets (Note 9)	266,369	35,183
Depreciation of tangible fixed assets (Note 10)	13,913	-

**5. Auditor's remuneration**

Fees payable for the audit of the Group's annual accounts were £21,300 (2016: £10,000). The Group's auditor also performed a CASS audit for Octopus Co-Lend Limited for a fee of £23,000 (2016: £15,000).

**6. Finance income (net)**

	2017	2016
	£	£
Interest receivable and similar income	292	-
Interest payable and similar charges	-	-
	<b>292</b>	<b>-</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

For the year ended 30 April 2017

**7. Staff Numbers and Costs**

The average monthly number of employees (including executive directors) that provided services to the Group was:

	<b>2017</b>	<b>2016</b>
	<b>Numbers</b>	<b>Numbers</b>
Administration	<u>26</u>	<u>5</u>

Their aggregate remuneration comprised:

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Wages and salaries	1,821,253	183,047
Social security costs	238,282	21,082
Pension costs	113,229	34,485
Other staff costs	25,660	-
	<u>2,198,424</u>	<u>238,614</u>

All staff and directors are employed by Octopus Capital Limited, the ultimate parent company and ultimate controlling party, with costs recharged to the Group. No directors received remuneration from the Group. Details of director's remuneration and other disclosures can be found in the consolidated financial statements of Octopus Capital Limited, and copies of these financial statements can be obtained from the Company Secretary, Octopus Capital Limited, 6<sup>th</sup> Floor, 33 Holborn, London EC1N 2HT.

**8. Tax on loss on ordinary activities**

The tax charge comprises:

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Total comprehensive loss on ordinary activities before tax	<u>1,971,974</u>	<u>343,958</u>
Tax on loss on ordinary activities at blended UK corporation tax rate of 19.9% (2016: 20%)	(392,423)	(68,792)
<b>Effects of:</b>		
Disallowable expenditure	3,273	-
Amortisation for the year in excess of capital allowances	1,275	8,018
Group relief surrendered not paid	334,807	60,774
Difference between current tax rate and deferred tax rate	<u>53,068</u>	<u>-</u>
<b>Total and current tax charge for the year</b>	<u>-</u>	<u>-</u>

The standard rate of tax applied to the reported profit on ordinary activities is 19.9% (2016: 20%). The applicable tax rate has changed following the substantive enactment of the Finance (No. 2) Act 2015.

The Company has tax losses of £ nil available for offset against future taxable profits.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

For the year ended 30 April 2017

**9. Intangible Fixed Assets**

<b>Group</b>	<b>Goodwill £'000s</b>
<b>Cost</b>	
As at 1 May 2016	80,400
Additions	-
As at 30 April 2017	<u>80,400</u>
<b>Amortisation</b>	
As at 1 May 2016	(6,700)
Charge for the year	(16,080)
As at 30 April 2017	<u>(22,780)</u>
<b>Net book value</b>	
As at 30 April 2017	<u>57,620</u>
As at 30 April 2016	<u>73,700</u>

Goodwill relates to the acquisition of 100% of the issued share capital of Octopus Co-Lend Limited in 2015 (note 12).

<b>Group</b>	<b>Software £</b>	<b>Website £</b>	<b>Total £</b>
<b>Cost</b>			
At 1 May 2016	632,524	-	632,524
Additions	700,499	9,873	710,372
At 30 April 2017	<u>1,333,023</u>	<u>9,873</u>	<u>1,342,896</u>
<b>Amortisation</b>			
At 1 May 2016	(35,183)	-	(35,183)
Charge for the year	(261,433)	(4,936)	(266,369)
At 30 April 2017	<u>(296,616)</u>	<u>(4,936)</u>	<u>(301,552)</u>
<b>Net book value</b>			
At 1 May 2016	597,341	-	597,341
At 30 April 2017	<u>1,036,407</u>	<u>4,936</u>	<u>1,041,343</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 April 2017

### 9. Intangible Fixed Assets (continued)

Company	Website £
<b>Cost</b>	
At 1 May 2016	-
Additions	6,923
At 30 April 2017	<u>6,923</u>
<b>Amortisation</b>	
At 1 May 2016	-
Charge for the year	(3,461)
At 30 April 2017	<u>(3,461)</u>
<b>Net book value</b>	
At 1 May 2016	-
At 30 April 2017	<u>3,461</u>

### 10. Tangible Fixed Assets

	Equipment £
<b>Cost</b>	
At 1 May 2016	16,059
Additions	25,680
At 30 April 2017	<u>41,739</u>
<b>Amortisation</b>	
At 1 May 2016	-
Charge for the year	(13,913)
At 30 April 2017	<u>(13,913)</u>
<b>Net book value</b>	
At 1 May 2016	16,059
At 30 April 2017	<u>27,826</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

For the year ended 30 April 2017

**11. Fixed Asset Investments**

	<b>Group</b>		<b>Company</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Subsidiary undertakings	-	-	5,080,402	2,080,401
<b>Company</b>				
				<b>Shares in subsidiary undertakings at cost</b>
				<b>£</b>
<b>Cost</b>				
As at 1 May 2016				2,080,401
Additions				3,000,001
As at 30 April 2017				5,080,402
<b>Provisions for impairment</b>				
As at 1 May 2016				-
Written off				-
As at 30 April 2017				-
<b>Net book value</b>				
At 1 May 2016				2,080,401
At 30 April 2017				5,080,402

The Company owns 100% of the issued share capital of the companies listed below:

<b>Subsidiary undertakings</b>	<b>Country of incorporation</b>	<b>Holding</b>	<b>Voting rights held</b>	<b>Nature of Business</b>	<b>Carrying Value 2017</b>	<b>Carrying Value 2016</b>
					<b>£</b>	<b>£</b>
Octopus Co-Lend Limited	UK	Ordinary Shares	100%	Peer to Peer Investment	5,080,401	2,080,401
Octopus Institutional Deposits Limited	UK	Ordinary Shares	100%	Cash Management	1	-

All subsidiary undertakings have the same year end of 30 April and the same address 33 Holborn, London EC1N 2HT.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

For the year ended 30 April 2017

**12. Acquisitions and business combinations**

On 25 September 2015, the Group purchased 100% of the issued share capital of Octopus Co-Lend Limited (formally known as Total Backing Limited) for £80,401 from which goodwill of £80,400 was recognised.

On 5 May 2016, the Group purchased 100% of the issued share capital of Octopus Institutional Deposits Limited for £1. There were no fair value adjustments arising from the acquisition and no goodwill was recognised.

Management have estimated the useful life of the goodwill to be 5 years, over which period the goodwill is amortised.

**13. Debtors**

	Group		Company	
	2017	2016	2017	2016
Amounts falling due within one year:	£	£	£	£
Amounts owed by group undertakings	-	-	149,999	-
Other debtors	600,684	106,229	-	-
Prepayments and accrued income	115,063	31,437	-	-
	<u>715,747</u>	<u>137,666</u>	<u>149,999</u>	<u>-</u>

Amounts owed by group undertakings are interest free and repayable on demand.

**14. Creditors**

	Group		Company	
	2017	2016	2017	2016
Amounts falling due within one year:	£	£	£	£
Trade creditors	(211,936)	(11,646)	(4,590)	-
Amounts owed to group undertakings	(3,476)	(2,191)	(126,519)	(80,400)
Accruals and deferred income	(763,488)	(701,441)	(4,539)	-
Other creditors	(60)	(5,709)	-	-
	<u>(978,960)</u>	<u>(720,987)</u>	<u>(135,648)</u>	<u>(80,400)</u>

Accruals relate to staff bonus and general expenses accrued at the year end and are payable within one year after each year end.

Amounts owed to group undertakings are interest free and repayable on demand.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**

For the year ended 30 April 2017

**14. Creditors (continued)**

	<b>Group</b>		<b>Company</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
<b>Amounts falling due after one year:</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Amounts owed to group undertakings	<u>(5,250,000)</u>	<u>(2,000,000)</u>	<u>(5,250,000)</u>	<u>(2,000,000)</u>

Amounts owed to group undertakings due after one year are funding provided by the ultimate parent company, Octopus Capital Limited. This loan is interest free and repayable on demand.

**15. Called-Up Share Capital**

	<b>2017</b>	<b>2016</b>
<b>Company and Group</b>	<b>£</b>	<b>£</b>
<b>Allotted, called-up and fully-paid</b>		
1 Ordinary shares of £1 each	<u>1</u>	<u>1</u>

**16. Reconciliation of Operating Profit to Operating Cash Flows**

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Operating loss	(1,972,266)	(343,958)
Adjustment for:		
Depreciation and amortisation	296,362	41,183
<b>Operating cash flow before movement in working capital</b>	<u>(1,675,904)</u>	<u>(302,075)</u>
Decrease/(increase) in debtors excluding tax	(578,082)	(137,666)
Increase in creditors excluding tax	3,507,974	2,720,987
<b>Cash generated by operations excluding taxation</b>	<u>1,253,988</u>	<u>2,281,246</u>
Taxation	-	-
<b>Net cash generated by operations</b>	<u>1,253,988</u>	<u>2,281,246</u>

**17. Ultimate Parent Undertaking and Controlling Party**

The ultimate parent company and the ultimate controlling party is Octopus Capital Limited, a company incorporated in the United Kingdom and registered in England and Wales which is the smallest and largest level of consolidated accounts that are prepared. Copies of these accounts can be obtained from the Company Secretary, Octopus Capital Limited, 6th Floor, 33 Holborn, London EC1N 2HT.

**18. Subsequent Events**

Since 30 April 2017, the directors are not aware of any matters or circumstances that have significantly affected or may significantly affect the Group.