

Octopus P2P Limited

Annual report and consolidated financial statements

For the year ended 30 April 2020

Registered number: 09781675



COMPANY INFORMATION

Directors C R Hulatt

Company Secretary Octopus Company Secretarial Services Limited

Company Registration Number 09781675

Registered Office 6th Floor
33 Holborn
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EC1N 2HT

Auditor Deloitte LLP
1 New Street Square
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STRATEGIC REPORT

For the year ended 30 April 2020

Principal activities

The principal activity of the Octopus P2P Limited (the 'Company') and its subsidiaries ('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.

The Company is the holding company of the Group which provides 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.

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

The results for the Group show a pre-tax profit of £1,658,373 (2019: £835,307) for the year on turnover of £6,253,977 (2019: £7,712,301). The decrease in revenue is in line with expectations after passing on the Platform Fee earned to investors upon gating the platform in March 2020. The profit for the year, after taxation, amounted to £1,207,453 (2019: profit of £835,307).

The parent entity is a holding company with no specific KPI's. These are covered as part of the subsidiary entity KPI's and can be seen below.

The Group has debt of £2,050,000 (2019: £2,500,000) and shareholder's funds amount to £3,693,378 (2019: £2,485,925).

The directors do not recommend a final dividend to be paid in the current year (2019: £nil).

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

- Assets Under Management ("AUM"): This informs the Board of the current value of customer assets managed and as at 30 April 2020 the AUM for Octopus Co-Lend Limited was £259.9m (2019: £240.7m)
- AUM Growth Rate: This informs the Board of the current growth rate in AUM and as at 30 April 2020 the AUM monthly growth rate was 0.7% (2019: 6.3%).

For Octopus Institutional Deposits Limited, the Board of directors have selected two key performance indicators against which to measure the Company's performance. Together they give an overview of business growth and financial performance.

- Assets Under Management ("AUM"): This informs the Board of the current value of customer assets managed and as at 30 April 2020 the AUM for Institutional Deposits Limited was £312.4m (2019: £154.7m)
- AUM Growth Rate: This informs the Board of the current growth rate in AUM and as at 30 April 2020 the AUM monthly growth rate was 6% (2019: 10%).

STRATEGIC REPORT (continued)

For the year ended 30 April 2020

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.

The Group has considered the effect on the activities performed following the exit of the UK from the European Union on the 31st of January 2020 ahead of the transitional period ending at the end of the 2020 calendar year. Although the outcome is unclear, the conclusion was that the current business model would be sustainable in the event that no new trading agreement is reached and the relationship defaults to World Trade Organisation rules, and the Directors do not consider that there would be a material impact to the financial statements, as the majority of our borrowers and investors are UK based.

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.

Financial risk management objectives and policies

The company's activities expose it to a number of financial risks including credit risk and liquidity risk.

Credit risk

The company's principal financial assets are bank balances and cash, trade and other receivables. The credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by credit agencies.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company uses short-term bank deposits.

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.

STRATEGIC REPORT (continued)

For the year ended 30 April 2020

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.

Future Developments

Towards the end of the financial year, the coronavirus (Covid-19) outbreak caused, and continues to cause, extensive disruption to businesses and economic activities globally, the possible extent of which cannot yet be assessed. It is too early to gauge the full economic consequences, but the possibility of global recession has been widely predicted. In these circumstances it is unlikely that any company will remain unaffected.

After the year-end, the Group is expecting to transfer its cash deposits and management activities performed by its subsidiary, Octopus Institutional Deposits Limited, to fellow group company Octopus Investments Limited. In the current period Group accounts, the Directors have therefore presented the results for the cash management segment in discontinued operations, with financial information relating to the continuing and discontinued operations set out below. While this will reduce revenue earned by the Group, as the activities are loss making, this is expected to improve the future profitability of the Group. See note 3 for further details.

Considering the market turbulence that swept through financial markets in March 2020, the directors made the decision to close the Octopus Choice Platform to new investment as well as withdrawals, protecting the liquidity of the platform. In order to compensate investors for the removal of liquidity, the Directors elected to pass on the platform fee earned by the Group to investors to supplement their expected return. As such, the revenue of the Group has been materially reduced in the current situation, but to counteract this the Group has considerable financial resources in the form of £3.8m of cash and cash equivalents at year-end as well as net assets of £7.6m and is therefore in a strong position to withstand more turbulent economic times. Furthermore, the Group still earns revenue through loan related fees and this provides a further buffer in addition to the significant liquidity on hand as noted. As such, and with view of the prevailing economic conditions, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least twelve months from the date of signing of these financial statements. As such it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

Approved by the Board and signed on its behalf by:

C R Hulatt



Director

12 August 2020

Registered Office:

6th Floor

33 Holborn,

London,

EC1N 2HT

DIRECTORS' REPORT

For the year ended 30 April 2020

The directors present their report on the affairs of Octopus P2P Limited (the "Company") and its subsidiaries (together the "Group") together with the audited consolidated and single company financial statements and auditor's report, for the year ended 30 April 2020.

Going concern

With view of the prevailing economic conditions, the Directors are satisfied that there is no material uncertainty leading to a significant doubt on the Company's ability to operate as a going concern. While the Company has elected to waive the Platform fee payable while investors are not able to withdraw their capital, revenue is still earned in the form of loan related fees. Despite the fact that revenue is materially reduced in the short-term while the Platform is closed to trading, the Company has retained a high level of working capital in the form of £3.8m of cash and cash equivalents at year-end as well as net assets of £7.6m and is therefore in a strong position to withstand more turbulent economic times, and so the Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the financial statements. Further details regarding the adoption of the going concern basis can be found in the Accounting Policies note in the financial statements.

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Dividends

The directors do not recommend a final dividend to be paid in the current year (2019: £nil).

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.

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.

Financial risk management objectives and policies

Details of financial risk management objectives and policies can be found in the Strategy Report on page 5.

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.

DIRECTORS' REPORT (continued)

For the year ended 30 April 2020

Deloitte LLP have indicated their willingness to be reappointed for another term and will be proposed for re-appointment in accordance with section 485 of the Companies Act 2006.

Approved by the Board and signed on its behalf by:



C R Hulatt

Director

12 August 2020

Registered Office:

6th Floor

33 Holborn,

London,

EC1N 2HT

DIRECTORS' RESPONSIBILITIES STATEMENT

For the year ended 30 April 2020

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 year. 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 accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards 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.

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

For the year ended 30 April 2020

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Octopus P2P Limited (the 'parent company') and its subsidiaries (the 'group'):

- give a true and fair view of the state of the group's and of the parent company's affairs as at 30 April 2020 and of the group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 19.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

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.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (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 are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in 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 parent 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

We have nothing to report in respect of these matters.

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

For the year ended 30 April 2020

Other information

The directors are responsible for the other information. The other information comprises the information included in the strategic report and directors' report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our 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 this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

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, 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 parent 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 parent 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

For the year ended 30 April 2020

Report on other legal and regulatory requirements

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.

In the light of the knowledge and understanding of the group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

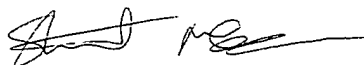
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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.

We have nothing to report in respect of these matters.

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.



Stuart McLaren (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
14 August 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 April 2020

	Notes	2020 £	2019 £
Turnover	4	6,253,977	7,712,301
Cost of sales		(913,403)	(1,686,382)
GROSS PROFIT		5,340,574	6,025,919
Administrative expenses		(1,023,102)	(1,714,359)
Staff cost	8	(2,247,822)	(2,825,321)
Amortisation expenses	10	(424,360)	(654,527)
OPERATING PROFIT		1,645,290	831,712
PROFIT BEFORE FINANCE INCOME		1,645,290	831,712
Finance income	7	13,083	3,595
PROFIT BEFORE TAXATION	5	1,658,373	835,307
Tax on profit	9	(450,920)	-
PROFIT AND TOTAL COMPREHENSIVE INCOME		1,207,453	835,307

Refer to note 3 for discontinued operations relating to the transfer of the cash deposit and management activities to fellow Group company Octopus Investment Limited.

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

The notes on pages 19 to 28 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

As at 30 April 2020

	Notes	2020 £	2019 £
FIXED ASSETS			
Goodwill - Subsidiaries	10	9,380	25,460
Intangible assets	10	195,518	623,917
Tangible assets	11	-	1,425
		<u>204,898</u>	<u>650,802</u>
CURRENT ASSETS			
Debtors - due within one year	14	4,126,135	4,114,977
Cash and cash equivalents		4,112,287	1,422,648
CREDITORS: due within one year	15	<u>(2,699,942)</u>	<u>(1,202,502)</u>
NET CURRENT ASSETS		<u>5,538,480</u>	<u>4,335,123</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		5,743,378	4,985,925
CREDITORS: due after one year	15	(2,050,000)	(2,500,000)
NET ASSETS		<u>3,693,378</u>	<u>2,485,925</u>
CAPITAL AND RESERVES			
Called up share capital	16	5,000,001	5,000,001
Profit and loss account		(1,251,683)	(2,475,216)
Other reserves		<u>(54,940)</u>	<u>(38,860)</u>
SHAREHOLDER'S FUNDS		<u>3,693,378</u>	<u>2,485,925</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 12 August 2020. They were signed on its behalf by:



C R Hulatt
Director

The notes on pages 19 to 28 form part of these financial statements.

COMPANY BALANCE SHEET

A at 30 April 2020

	Notes	2020 £	2019 £
FIXED ASSETS			
Subsidiary undertakings	12	5,080,402	5,080,402
		<u>5,080,402</u>	<u>5,080,402</u>
CURRENT ASSETS			
Debtors - due within one year	14	(1)	202,869
Cash and cash equivalents		5,081	22,376
CREDITORS: due within one year	15	<u>(92,977)</u>	<u>(468,944)</u>
NET CURRENT LIABILITIES		<u>(87,897)</u>	<u>(243,699)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		4,992,505	4,836,703
CREDITORS: due after one year	15	<u>(1,900,000)</u>	<u>(1,750,000)</u>
NET ASSETS		<u><u>3,092,505</u></u>	<u><u>3,086,703</u></u>
CAPITAL AND RESERVES			
Called up share capital	15	5,000,001	5,000,001
Profit and loss account		<u>(1,907,496)</u>	<u>(1,913,298)</u>
SHAREHOLDERS' FUNDS		<u><u>3,092,505</u></u>	<u><u>3,086,703</u></u>

The profit for the financial year ended 30 April 2020 was £5,802 (2019: Loss of £472,413). The Company has taken an exemption from the requirement to publish a separate profit and loss account.

The financial statements of Octopus P2P Limited (registered number: 09781675) were approved by the Board of Directors and authorised for issue on 12 August 2020. They were signed on its behalf by:



C R Hulatt
Director

The notes on pages 19 to 28 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 April 2020

	Called-up share capital	Profit and loss account	Other reserves	Total
	£	£	£	£
At 1 May 2018	1	(3,326,603)	(22,780)	(3,349,382)
Issue of share capital	5,000,000	-	-	5,000,000
Dividends paid	-	-	-	-
Loss and total comprehensive loss for the financial year	-	851,387	(16,080)	835,307
At 1 May 2019	5,000,001	(2,475,216)	(38,860)	2,485,925
Issue of share capital	-	-	-	-
Dividends paid	-	-	-	-
Profit and total comprehensive income for the financial year	-	1,223,533	(16,080)	1,207,453
At 30 April 2020	5,000,001	(1,251,683)	(54,940)	3,693,378

The notes on pages 19 to 28 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 30 April 2020

	Called-up share capital	Profit and loss account	Total
	£	£	£
At 1 May 2018	1	(1,440,885)	(1,440,884)
Issue of share capital	5,000,000	-	5,000,000
Loss and total comprehensive loss for the year	-	(472,413)	(472,413)
At 1 May 2019	5,000,001	(1,913,298)	3,086,703
Issue of share capital	-	-	-
Profit and total comprehensive loss for the year	-	5,802	5,802
At 30 April 2020	5,000,001	(1,907,496)	3,092,505

The notes on pages 19 to 28 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 April 2020

	Notes	2020 £	2019 £
Net cash flows from operating activities	17	3,126,556	(1,104,337)
Cash flows from investing activities			
Purchase of intangible assets		-	(132,658)
Interest received		13,083	3,595
Net cash flows from investing activities		13,083	(129,063)
Cash flows from financing activities			
Repayment of debt		(450,000)	(5,450,000)
Issue of ordinary shares		-	5,000,000
Net cash flows from financing activities		(450,000)	(450,000)
Net increase / (decrease) in cash and cash equivalents		2,689,639	(1,683,400)
Cash and cash equivalents at beginning of year		1,422,648	3,106,048
Cash and cash equivalents at end of year		4,112,287	1,422,648

The notes on pages 19 to 28 form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 April 2020

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 4.

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, with certain items where mentioned below measured at fair value 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. Exemptions have been taken in relation to related party transactions, preparation of a statement of cash flows (company only) 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 as listed in note 11 ('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.

Towards the end of the financial year, the coronavirus (Covid-19) outbreak caused, and continues to cause, extensive disruption to businesses and economic activities globally, the possible extent of which cannot yet be assessed. It is too early to gauge the full economic consequences, but the possibility of global recession has been widely predicted. In these circumstances it is unlikely that any company will remain unaffected.

Considering the market turbulence that swept through financial markets in March 2020, the directors made the decision to close the Octopus Choice Platform to new investment as well as withdrawals, protecting the liquidity of the platform. In order to compensate investors for the removal of liquidity, the Directors elected to pass on the platform fee earned by the Company to investors to supplement their expected return. As such, the revenue of the Company has been materially reduced in the current situation, but to counteract this the Company has considerable financial resources in the form of £3.8m of cash and cash equivalents at year-end as well as net assets of £7.6m and is therefore in a strong position to withstand more turbulent economic times. Furthermore, the Company still earns revenue through loan related fees and this provides a further buffer in addition to the significant liquidity on hand as noted.

The directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for at least twelve months from the date of signing of these financial statements. 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 2020

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.

Finance income

Finance income is recognised in profit or loss as it accrues, using the effective interest method.

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.

Financial instruments

Financial instruments are classified and accounted for according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

The Company's financial assets and liabilities include debtors, cash and cash equivalents and creditors which are measured at fair value that is considered to be at par.

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.

Pensions

All pension costs relate to a defined contribution scheme and the amount charged to the profit and loss account is contributions payable in the year. Differences between contribution payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 April 2020

1. Accounting Policies (continued)

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.

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.

Provision for impairment is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

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.

No critical judgements or key sources of estimate uncertainty were made by the directors in preparing these financial statements. There are no key sources of estimation uncertainty.

3. Discontinued operation

After the year-end, the Group is expecting to transfer its cash deposits and management activities performed by its subsidiary, Octopus Institutional Deposits Limited, to fellow group company Octopus Investments Limited. In the current period Group accounts, the Directors have therefore presented the results for the cash management segment in discontinued operations, with financial information relating to the continuing and discontinued operations set out below.

The financial performance and cash flow information presented for are the year ended 30 April 2020 and 30 April 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 April 2020

3. Discontinued operation (continued)

	Notes	For the 12 months to 30 April 2020		
		Continuing operations £	Discontinued operations £	Total £
Turnover	4	5,836,899	417,078	6,253,977
Cost of sales		(913,403)	-	(913,403)
GROSS PROFIT		4,923,496	417,078	5,340,574
Administrative expenses		(881,138)	(141,964)	(1,023,102)
Staff cost		(1,432,346)	(815,476)	(2,247,822)
Amortisation expenses		(400,134)	(24,226)	(424,360)
OPERATING PROFIT		2,209,878	(564,588)	1,645,290
PROFIT BEFORE FINANCE INCOME		2,209,878	(564,588)	1,645,290
Finance income		13,083	-	13,083
PROFIT BEFORE TAXATION		2,222,961	(564,588)	1,658,373
Tax on profit		(450,920)	-	(450,920)
PROFIT AND TOTAL COMPREHENSIVE INCOME		1,772,041	(564,588)	1,207,453

	Notes	For the 12 months to 30 April 2019		
		Continuing operations £	Discontinued operations £	Total £
Turnover	4	7,570,839	141,462	7,712,301
Cost of sales		(1,686,382)	-	(1,686,382)
GROSS PROFIT		5,884,457	141,462	6,025,919
Administrative expenses		(1,617,359)	(97,000)	(1,714,359)
Staff cost		(1,961,559)	(863,761)	(2,825,321)
Amortisation expenses		(619,407)	(35,120)	(654,527)
OPERATING PROFIT		1,686,131	(854,419)	831,712
PROFIT BEFORE FINANCE INCOME		1,686,131	(854,419)	831,712
Finance income		3,595	-	3,595
PROFIT BEFORE TAXATION		1,689,726	(854,419)	835,307
Tax on profit		-	-	-
PROFIT AND TOTAL COMPREHENSIVE INCOME		1,689,726	(854,419)	835,307

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 April 2020

3. Discontinued operation (continued)

	Notes	For the 12 months to 30 April 2020		
		Continuing operations £	Discontinued operations £	Total £
Net cash flows from operating activities	17	3,407,144	(280,588)	3,126,556
Net cash flows from investing activities		13,083	-	13,083
Net cash flows from financing activities		(850,000)	400,000	(450,000)
Net increase / (decrease) in cash and cash equivalents		2,570,227	119,412	2,689,639

	Notes	For the 12 months to 30 April 2019		
		Continuing operations £	Discontinued operations £	Total £
Net cash flows from operating activities	17	278,669	(1,383,006)	(1,104,337)
Net cash flows from investing activities		(129,063)	-	(129,063)
Net cash flows from financing activities		(2,000,000)	1,550,000	(450,000)
Net increase / (decrease) in cash and cash equivalents		(1,850,394)	166,994	(1,683,400)

There have been no remeasurements to fair value of items on the balance sheet measured at historic cost either at year-ending 30 April 2020 or 30 April 2019.

4. Turnover

Turnover during the year ended April 2020 was generated by the two segments, that of providing an online platform for peer to peer investment in loans and receiving margin share on customer deposits that are held with partner banks. All turnover is generated in the UK, hence no geographical analysis is required.

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

Turnover	2020 £	2019 £
Loan platform fees	3,881,112	4,103,935
Arrangement fees	1,170,822	2,169,062
Administrative fees	736,880	1,250,382
Other income	48,085	47,460
Margin share on asset under management	417,078	141,462
Turnover	6,253,977	7,712,301

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 April 2020

5. Profit before taxation

Profit before taxation is stated after charging:

Profit before taxation	2020	2019
	£	£
Amortisation of goodwill (note 9)	16,080	16,080
Amortisation of intangible fixed assets (note 9)	428,399	669,402
Depreciation of tangible fixed assets (note 9)	1,425	15,338
Research & Development Expenditure Credit (Note 14)	(21,544)	
	424,360	700,820

6. Auditor's remuneration

Fees payable for the audit of the Group's annual accounts were £12,500 (2019: £12,455). Fees payable for the audit for the subsidiary annual accounts were £26,370 (2019: £19,380). The Group's auditor also performed a CASS audit for Octopus Co-Lend Limited for a fee of £24,860 (2019: £27,500).

7. Finance income

	2020	2019
	£	£
Interest receivable and similar income	13,083	3,595

8. Staff Numbers and Costs

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

	2020	2019
	Numbers	Numbers
Administration	35	48

Their aggregate remuneration comprised:	2020	2019
	£	£
Wages and salaries	1,862,071	2,273,392
Social security costs	242,931	215,756
Pension costs	140,702	234,945
Other staff costs	2,118	101,228
	2,247,822	2,825,321

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, 6th Floor, 33 Holborn, London EC1N 2HT.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 April 2020

9. Tax on profit/(loss)

The tax charge comprises:	2020 £	2019 £
Profit/(loss) before tax	1,658,373	835,307
Tax on profit at blended UK corporation tax rate of 19% (2019: 19%)	315,091	(158,709)
Effects of:		
Disallowable expenditure	859	118
Adjustments in respect of prior periods	83,355	-
Income not taxable	(13,230)	(9,017)
Amortisation for the year in excess of capital allowances	71,124	(41,461)
Group relief surrendered not paid	-	(215,375)
Deferred tax not provided	(6,279)	107,026
Total and current tax charge for the year	450,920	-

The Finance Act 2016 included a reduction in the main rate of UK corporation tax from 19% to 17% from 1 April 2020. However, in the UK budget on 11 March 2020, it was announced that the cut in the tax rate to 17% will now not occur and the UK Corporation Tax Rate will instead remain at 19%. As this was not substantively enacted by the balance sheet date, deferred tax balances as at 31 December 2019 continue to be measured at 17%. The rate of change will affect the size of the Company's deferred tax assets and liabilities in the future.

The Company has tax losses of £nil (2019: £nil) available for offset against future taxable profits.

10. Intangible Fixed Assets

Group	Goodwill £	Software £	Website £	Total £
Cost				
At 1 May 2019	80,400	2,106,449	9,873	2,196,722
Disposals	-	-	(6,923)	(6,923)
At 30 April 2020	80,400	2,106,449	2,950	2,189,799
Amortisation				
At 1 May 2019	(54,940)	(1,482,532)	(9,873)	(1,547,345)
Disposals	-	-	6,923	6,923
Charge for the year	(16,080)	(428,399)	-	(444,479)
At 30 April 2020	(71,020)	(1,910,931)	(2,950)	(1,984,901)
Net book value				
At 1 May 2019	25,460	623,917	-	649,377
At 30 April 2020	9,380	195,518	-	204,898

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

Software research and development expenditure totalling £nil (2019: £513,249) was recognised as expense in the profit and loss account during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 April 2020

11. Tangible Fixed Assets

Group	Equipment £
Cost	
At 1 May 2019	46,014
Disposals	(46,014)
At 30 April 2020	-
Depreciation	
At 1 May 2019	(44,589)
Charge for the year	(1,425)
Disposals	46,014
At 30 April 2020	-
Net book value	
At 1 May 2019	1,425
At 30 April 2020	-

12. Fixed Asset Investments

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Subsidiary undertakings	-	-	5,080,402	5,080,402

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

Subsidiary undertakings	Country of incorporation	Holding	Voting rights held	Nature of Business	Carrying Value 2020 £	Carrying Value 2019 £
Octopus Co-Lend Limited	UK	Ordinary Shares	100%	Peer to Peer Investment	5,080,401	5,080,401
Octopus Institutional Deposits Limited	UK	Ordinary Shares	100%	Cash Management	1	1
Octopus Payment Services Limited	UK	Ordinary Shares	100%	Dormant Company	-	-

As Octopus Payment Services Limited is a dormant subsidiary, it is exempt from the requirement to prepare individual accounts per s394A of Companies Act 2006.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 April 2020

13. 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.

On 30 November 2016, the Group purchased 100% of the issued share capital of Octopus Payment Services Limited for £1. This company was dormant throughout the current and previous year. The carrying value is £nil.

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

14. Debtors

	Group		Company	
	2020	2019	2020	2019
Amounts falling due within one year:	£	£	£	£
Amounts owed by Group undertakings	-	-	(1)	202,869
Trade debtors	180,512	25,190	-	-
Other debtors	3,126,515	2,752,108	-	-
Prepayments and accrued income	819,108	1,337,679	-	-
	<u>4,126,135</u>	<u>4,114,977</u>	<u>(1)</u>	<u>202,869</u>

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

Included within other debtors is £2,603,542 (2019: £2,302,881) relating to the Octopus Co-Lend Limited's prefunding of deferred interest in order to facilitate the distribution of interests earned by all parties on the loans listed on the peer-to-peer lending platform. Deferred interest feature is offered on some lending products and the deferred interests on these loans listed on the platform are collected upon their redemption.

15. Creditors

	Group		Company	
	2020	2019	2020	2019
Amounts falling due within one year:	£	£	£	£
Trade creditors	(48,307)	(68,595)	(79)	(3,619)
Amounts owed to Group undertakings	(2,120,749)	(625,185)	(92,898)	(425,362)
Accruals and deferred income	(531,608)	(503,832)	-	(39,963)
Other creditors	722	(4,890)	-	-
	<u>(2,699,942)</u>	<u>(1,202,502)</u>	<u>(92,977)</u>	<u>(468,944)</u>

Accruals and deferred income relate to staff bonus and general expenses accrued at the year end and are payable within one month after each year end as well as a research and development expenditure credit expected to be realised in the next 12 months

Amounts owed to group undertakings are unsecured, interest free and repayable on demand and relate to salary recharges paid by Octopus Investments Limited on behalf of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

For the year ended 30 April 2020

15. Creditors (continued)

	Group		Company	
	2020	2019	2020	2019
Amounts falling due after one year:	£	£	£	£
Amounts owed to Group undertakings	<u>(2,050,000)</u>	<u>(2,500,000)</u>	<u>(1,900,000)</u>	<u>(1,750,000)</u>

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

16. Called-Up Share Capital

	2020	2019
Company and group	£	£
Issued, called-up and fully-paid		
Ordinary shares of £1 each	<u>5,000,001</u>	<u>5,000,001</u>

17. Reconciliation of Operating Profit to Operating Cash Flows

	2020	2019
	£	£
Operating profit	1,645,290	831,712
Adjustment for:		
Depreciation and amortisation	<u>424,360</u>	<u>700,820</u>
Operating cash flow before movement in working capital	2,069,650	1,532,532
Increase in debtors excluding tax	(11,157)	(1,528,248)
Increase/(Decrease) in creditors excluding tax	<u>1,068,063</u>	<u>(1,108,621)</u>
Cash generated by operations excluding taxation	3,126,556	(1,104,337)
Taxation	<u>-</u>	<u>-</u>
Net cash flows from operating activities	<u>3,126,556</u>	<u>(1,104,337)</u>

18. Ultimate Parent Undertaking and Controlling Party

The immediate and 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 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.

19. Subsequent Events

Since 30 April 2020, other than the discontinued operation in note 3, the directors are not aware of any matters or circumstances that have significantly affected or may significantly affect the Group.