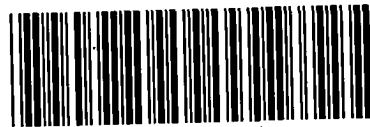


Registered number: 10624955

Zopa Group Limited
Report and Financial Statements
for the period ended 31 December 2017

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Zopa Group Limited

Report and Financial Statements for the period ended 31 December 2017

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Directors and professional advisers

Directors

Giles Andrews
Charles Birnbaum
Christine Farnish
Richard Goulding
Peter Herbert
Jaidev Janardana
Tim Levene
Nigel Morris
Phillip Riese
Kapil Wadhawan

Secretaries

Olivia Broderick
Oakwood Corporate Secretary Limited

Registered office

1st Floor Cottons Centre
47-49 Tooley Street
London
England
SE1 2QG

Registered number

Registered number: 10624955
Incorporated on 17th February 2017

Bankers

National Westminster Bank
1 Princes Street
London
EC2R 8BP

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Embankment Place
London
WC2N 6RH

Strategic report for the period ended 31 December 2017

Principal activities

The principal activity of Zopa Group Limited ("the Company"), was that of a holding company for its subsidiaries (together "the Group"). The Group's principal activities during the period were: (i) the provision of an online marketplace lending platform which allows individuals in the United Kingdom to access unsecured loans, facilitated by funds provided by both individuals and institutions; and (ii) the creation of a next generation bank.

Formation

The Company was incorporated on 17 February 2017, and on 10 May 2017 was installed as the new ultimate parent of the Group, via a corporate reorganisation. To appropriately reflect the substance of the transaction, the reorganisation has been accounted for as a continuation of a previous group, of which Zopa Holdings Inc was the previous parent. As such, while this is the first accounting period of Zopa Group Limited as a legal entity, consolidated financial statements have been prepared accounting for the reorganisation as a continuing business.

Business Review

The results of the Group for the year show an increase in revenue of 32% to £43,980,538 (2016: £33,220,454), and a loss for the year of £4,223,432 (2016: £6,551,805). The growth in revenue reflects an increase in loan origination of 43% to £1 billion (2016: £0.7 billion).

The Group experienced strong growth over the year, principally from the performance of Zopa Limited, the main trading entity of the Group. In the first quarter of 2017, it became the first peer-to-peer platform to pass the £2 billion milestone in total cumulative originations, and in November 2017 it enjoyed a record month by originating £100 million in loans. These milestones were achieved despite the tightening of its credit criteria in response to market conditions, and because of its commitment to long-term, sustainable growth.

At the end of 2016, the Group announced plans to launch a bank, with a single goal in mind: expanding the Group's simple and fair model into new products and offering customers more choice. As a result, Zopa Financial Services Limited was formed in February 2017 where focus has been on the building and launching of its new products and services and obtaining a banking licence. This was supported by new investment into the Group from new shareholders.

Zopa Limited reported a profit after tax for the year, demonstrating the maturity of the business as it moves forward. The investment required elsewhere in the Group to develop the technology and capabilities to obtain the bank licence therefore explains the consolidated reported loss for the period of £4,223,432.

Strategic report for the period ended 31 December 2017 (continued)

During 2017, the Group further developed its technology, and made investment in back-office infrastructure, evolving and enhancing its proprietary IT platform to enable future growth through independent micro-services architecture, and to ensure a more secure service. To accelerate the development of its infrastructure, in May 2017 the Group commenced activities as a development centre in Barcelona, Spain.

Throughout 2017, the Group also continued to grow their human resources including investment in the risk management and finance functions. The Group's overall headcount increased to 327 compared to 204 as at 31 December 2016: a growth rate of 60%.

Awards

The Group's customer-centric model, culture, and commitment to making money simple and fair remain at the forefront of its offering. This has been repeatedly recognised externally. Zopa Limited won a series of awards in 2017, including: the Top Consumer Lending Platform at the inaugural Lendit Awards, the Moneyfacts Consumer award for Best Personal Loan Provider (for the fourth year in a row), the British Bank Award for Best Personal Loan Provider and Best Alternative Finance Provider, Credit Strategy's Responsible Lender award, YourMoney's Best P2P provider, the AltFi award for the best P2P Consumer Platform, and the Moneywise Award for Most Trusted P2P Provider for investors and borrowers. The Group was recognised as a Superbrand for the first time in 2017 and was also ranked 49th in 2017's Sunday Times Tech Track 100, a list of Britain's 100 private tech companies with the fastest-growing sales over the past three years.

Plans for the future

The Group's key priorities for 2018 include achieving continued growth of its customer base and new lending, while ensuring that its technology infrastructure and operational arrangements are built for scale and can support this growth. The Group's investment in infrastructure will continue in 2018, with a focus on automation to ensure an increasingly seamless experience for customers.

It will also continue to focus on the build and launch of its new products and services for the proposed bank and obtaining a banking licence will remain a key part of this plan.

The Group will aim to continue offering exceptional levels of customer support and will ensure that its customer-facing teams are appropriately resourced to allow this as the business grows.

During the year Zopa Financial Services Limited commenced initial testing on secured auto lending.

Strategic report for the period ended 31 December 2017 (continued)

Business environment

Consumer demand for credit continues to be healthy, and consumers continue to shift towards digital channels, with more of them looking for alternatives to their banks on comparison sites. The Group benefits from this trend owing to its strong digital offering and seamless loan application process.

The Group continues to actively monitor consumer credit conditions. Default levels appear to be normalising following the historic lows observed in recent years. As a result, and in line with its commitment to prudent risk management, Zopa Limited tightened its acceptance criteria in 2017 and continues to actively manage the levels of credit risk, maintaining a product view of risks.

Principal risks and uncertainties

The principal risks and uncertainties that the Group faces include consumer credit risk, operational risk specifically information security, financial crime, service disruption and conduct risk.

The Group continues to have a prudent and proactive approach towards risk management. Key aspects of this approach include:

- having a culture that puts the customer first and seeks to provide them with better value, better service and thus better outcomes;
- attracting the best talent possible;
- continually reviewing product performance, service levels and macro-economic environment;
- creating and maintaining appropriate processes and controls for robust governance while maintaining agility to react to adverse changes where required;
- maintaining close engagement in public policy formulation with respect to the financial finance sector.

The Directors believe that the Group is well positioned to continue to provide great value and service to its customers.

On behalf of the Board,



Jaidev Janardana
Director
27 September 2018

Directors' report for the period ended 31 December 2017

The Directors present their first report and the audited financial statements of the Group and Company for the period ended 31 December 2017. Details of future developments are included in the Strategic report. The Directors do not recommend the payment of a dividend in the current period.

Directors

The Directors who held office during the period and up to the date of the approval of these financial statements, unless otherwise noted, are listed below:

Giles Andrews	(appointed 17 February 2017)
Charles Birnbaum	(appointed 10 May 2017)
Olivia Broderick	(appointed 31 March 2017: resigned 10 May 2017)
Christine Farnish	(appointed 01 April 2018)
Richard Goulding	(appointed 6 September 2017)
Peter Herbert	(appointed 22 February 2018)
Jaidev Janardana	(appointed 31 March 2017)
Greg Jackson	(appointed 10 May 2017: resigned 18 January 2018)
Tim Levene	(appointed 10 May 2017)
Nigel Morris	(appointed 10 May 2017)
Phillip Riese	(appointed 10 May 2017)
James Van Den Bergh	(appointed 10 May 2017: resigned 22 February 2018)
Kapil Wadhawan	(appointed 28 May 2017)

Going concern

The financial statements have been prepared on a going concern basis, which the Directors believe to be appropriate. The Directors have prepared cash flow projections for the Group covering a period of at least 12 months from the date of their approval of these financial statements and the Directors consider the group will be able to operate within its available facilities. See note 23 for more detail regarding the additional share capital that was raised post year-end that supports the going concern basis.

Employee involvement

Employee engagement is one of the Group's key objectives and Managers are assessed against the engagement scores of their teams. We share information regularly with all staff via weekly all-hands meetings, have Q&A sessions with senior leaders on an anonymous basis, distribute newsletters, offer lunch and learns around the business, and various other inclusive meetings. The Group's compensation structure is tied to the Group's performance, ensuring that the progress of the Group is shared with employees on a routine basis. Key staff members also partake in Group share ownership plans, with equity interests vesting over a period of time. This ensures that employees are fully invested in the development of the business and remain engaged.

Directors' report for the period ended 31 December 2017 (continued)

Disabled employees

At Zopa we believe in creating an inclusive working environment. Our job adverts clearly state that we do not discriminate on the basis of disability (or on any other grounds) and will in the future be asking applicants if we need to make any special adjustments for them at interview stage. Zopa does not currently employ anybody with a disclosed disability, although we conduct regular surveys asking staff to disclose any disability should they wish to do so. If someone does highlight a specific need then Zopa will of course, in all reasonable ways, find a solution to offer the best working environment for the needs of that individual. In addition, our offices are fully wheelchair accessible.

Management of financial risk

The Company's management of financial risk is detailed in the notes to the financial statements in note 3.

Statement of directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the Group financial statements and IFRSs as adopted by the European Union have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Directors' report for the period ended 31 December 2017 (continued)

Statement of disclosure of information to auditors

In the case of each Director in office at the date the Directors' report is approved:

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


Directors' indemnities

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third-party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

Independent auditors

The independent auditors, PricewaterhouseCoopers LLP have indicated their willingness to continue in office.

On behalf of the board



Jaidev Janardana

Director

27 September 2018

Independent auditors' report to the members of Zopa Group Limited

Report on the audit of the group financial statements

Opinion

In our opinion, Zopa Group Limited's group financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's affairs as at 31 December 2017 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Report and Financial Statements (the "Annual Report"), which comprise: the consolidated statement of financial position as at 31 December 2017; the consolidated statement of comprehensive income, the consolidated statement of changes in equity, and the consolidated statements of cash flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's 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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Independent auditors' report to the members of Zopa Group Limited (continued)

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors responsibilities in respect of the financial statements set out on page 6, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they 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 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 to cease operations, or have no realistic alternative but to do so.

Independent auditors' report to the members of Zopa Group Limited (continued)

Auditors' 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 auditors' 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 auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- certain disclosures of Directors' remuneration specified by law are not made.

We have no exceptions to report arising from this responsibility.

Other matter

We have reported separately on the Company financial statements of Zopa Group Limited for the period ended 31 December 2017.

The financial statements for the year ended 31 December 2016, forming the corresponding figures of the financial statements for the year ended 31 December 2017, are unaudited.



Leighton Thomas (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

27 September 2018

Independent auditors' report to the members of Zopa Group Limited (continued)

Report on the audit of the group financial statements

Opinion

In our opinion, Zopa Group Limited's Company financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its cash flows for the period then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Report and Financial Statements (the "Annual Report"), which comprise: the Company statement of financial position as at 31 December 2017; the Company statement of changes in equity and the Company statement of cash flows for the period then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's 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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Independent auditors' report to the members of Zopa Group Limited (continued)

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the period ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors responsibilities in respect of the financial statements set out on page 6, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they 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 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 Company or to cease operations, or have no realistic alternative but to do so.

Independent auditors' report to the members of Zopa Group Limited (continued)

Auditors' 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 auditors' 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 auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Other matter

We have reported separately on the group financial statements of Zopa Group Limited for the year ended 31 December 2017.



Leighton Thomas (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

27 September 2018

Consolidated statement of comprehensive income for the year ended 31 December 2017

	Note	2017 £	Unaudited 2016 £
Revenue	4	43,980,538	33,220,454
Cost of sales		(10,346,174)	(10,894,377)
Gross profit		33,634,364	22,326,077
Distribution expenses		(10,745,986)	(7,784,827)
Administrative expenses		(28,439,963)	(21,238,812)
Operating loss	6	(5,551,585)	(6,697,562)
Other interest receivable and similar income	5	15,594	50,455
Loss before taxation		(5,535,991)	(6,647,107)
Taxation	9	1,278,195	(23,338)
Loss for the year		(4,257,796)	(6,670,445)
Other comprehensive income/ (expense)		34,364	118,640
Total comprehensive expense		(4,223,432)	(6,551,805)

The notes on pages 21-43 form part of these financial statements.

Consolidated statement of financial position as at 31 December 2017

	Note	2017 £	Unaudited 2016 £
Non-current assets			
Property, plant and equipment	10	3,006,447	1,358,905
Intangible assets	11	4,380,487	1,218,021
Trade, loans and other receivables - non-current	13	2,782,544	1,360,071
		<u>10,169,478</u>	<u>3,936,997</u>
Current assets			
Trade, loans and other receivables - current	13	3,490,058	1,904,375
Current tax asset		1,111,487	-
Cash and cash equivalents		9,032,160	9,898,574
		<u>13,633,705</u>	<u>11,802,949</u>
Total assets		<u><u>23,803,183</u></u>	<u><u>15,739,946</u></u>
Current liabilities			
Trade and other payables	14	(7,507,185)	(4,333,221)
Net current assets		<u>6,126,520</u>	<u>7,469,728</u>
Net assets		<u><u>16,295,998</u></u>	<u><u>11,406,725</u></u>
Equity			
Share capital	17	302,187	291,403
Share premium		7,852,800	-
Other reserves	18	57,663,947	56,380,462
Accumulated losses		(49,522,936)	(45,265,140)
Total equity		<u><u>16,295,998</u></u>	<u><u>11,406,725</u></u>

The notes on pages 21-43 form part of these financial statements.

The financial statements of Zopa Group Limited (Registered number 10624955) on pages 14-43 were approved by the Directors on 26 September 2018 and were signed on its behalf by:


 Jaidev Janardana
 Director
 27 September 2018

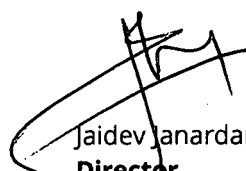
Company statement of financial position as at 31 December 2017

	Note	2017 £
Non-current assets		
Investments in subsidiaries	12	<u>62,282,266</u>
		62,282,266
Current assets		
Trade and other receivables	13	<u>6,781,814</u>
Cash and cash equivalents		<u>893,560</u>
		7,675,374
Total assets		<u>69,957,640</u>
Current liabilities		
Trade and other payables	14	<u>(181,468)</u>
Net current assets		7,493,906
Net assets		<u>69,776,172</u>
Equity		
Share capital	17	<u>302,187</u>
Share premium		<u>7,852,800</u>
Other reserves	18	<u>61,990,763</u>
Accumulated losses		<u>(369,578)</u>
Total equity		<u>69,776,172</u>

The Company has elected to take the exemption under section 408 of the Companies Act 2006 from presenting the Company profit and loss account. The loss after tax of the Company for the period ended 31 December 2017 was £369,578.

The notes on pages 21-43 form part of these financial statements.

The financial statements of Zopa Group Limited (Registered number 10624955) on pages 14-43 were approved by the Directors on 26 September 2018 and were signed on its behalf by:


Jaidev Janardana
Director

27 September 2018

Consolidated statement of changes in equity for the year ended 31 December 2017

	Note	Share capital £	Share premium £	Other reserves £	Accumulated losses £	Total equity £
Balance as at 1 January 2016 (unaudited)	2	291,403	-	52,101,239	(38,594,695)	13,797,947
Comprehensive income and expense						
Exchange rate differences		-	-	118,640	-	118,640
Loss for the period		-	-	-	(6,670,445)	(6,670,445)
Total comprehensive expense		-	-	118,640	(6,670,445)	(6,551,805)
Transactions with owners						
Issue of share capital		-	-	2,272,738	-	2,272,738
Cost of Capital		-	-	(103,630)	-	(103,630)
Exercise of options	22	-	-	75,865	-	75,865
Share based payment charge	22	-	-	1,915,610	-	1,915,610
Total transactions with owners	21	-	-	4,160,583	-	4,160,583
Balance as at 31 December 2016 (unaudited)		291,403	-	56,380,462	(45,265,140)	11,406,725
Comprehensive income and expense						
Exchange rate differences		-	-	34,364	-	34,364
Loss for the year		-	-	-	(4,257,796)	(4,257,796)
Total comprehensive expense		-	-	34,364	(4,257,796)	(4,223,432)
Transactions with owners						
Issue of share capital		10,582	7,989,417	-	-	7,999,999
Cost of Capital		-	(160,000)	-	-	(160,000)
Exercise of options	22	202	23,383	5,497	-	29,082
Share based payment charge	22	-	-	1,243,624	-	1,243,624
Total transactions with owners	21	10,784	7,852,800	1,249,121	-	9,112,705
Balance as at 31 December 2017		302,187	7,852,800	57,663,947	(49,522,936)	16,295,998

Other reserves consist of a merger reserve, a currency translation reserve and a share-based payment reserve. Please see note 18 for details. The notes on pages 21-43 form part of these financial statements.

Company statement of changes in equity for the period ended 31 December 2017

	Share capital	Share premium	Other reserves	Accumulated losses	Total equity
	£	£	£	£	£
Balance as at 17 February 2017	-	-	-	-	-
Loss for the period	-	-	-	(369,578)	(369,578)
Total comprehensive expense	-	-	-	(369,578)	(369,578)
Transactions with owners					
Formation	100	-	-	-	100
Corporate reorganisation	291,303	-	61,242,132	-	61,533,435
Issue of new shares	10,582	7,989,417	-	-	7,999,999
Share issue costs	-	(160,000)	-	-	(160,000)
Exercise of options	202	23,383	-	-	23,585
Share based payment charge	-	-	748,631	-	748,631
Total transactions with owners	302,187	7,852,800	61,990,763	-	70,145,750
Balance as at 31 December 2017	302,187	7,852,800	61,990,763	(369,578)	69,776,172

Other reserves consist of a merger reserve and share based payment reserve. Please see note 18 for details. The notes on pages 21-43 form part of these financial statements.

Consolidated statement of cash flows for the year ended 31 December 2017

		2017	Unaudited 2016
	Note	£	£
Cash flows from operating activities			
Cash generated from/ (used in) operations	16	(3,095,678)	(3,528,635)
Purchase of loans and receivables		(1,892,910)	-
Repayment of loans and receivables		318,858	-
Income taxes received/ (paid)		166,708	(23,338)
Net cash generated from/ (used in) operating activities		(4,503,022)	(3,551,973)
Cash flows from investing activities			
Additions to property, plant and equipment	10	(1,115,834)	(1,261,914)
Additions to intangible assets	11	(3,132,233)	(1,357,613)
Interest received		15,594	50,455
Net cash used in investing activities		(4,232,473)	(2,569,072)
Cash flows from financing activities			
Issue of shares	22	7,869,081	2,244,973
Net decrease in cash and cash equivalents		(866,414)	(3,876,072)
Cash and cash equivalents at 1 January		9,898,574	13,774,646
Cash and cash equivalents at 31 December		9,032,160	9,898,574

Cash and cash equivalents is entirely made up of cash at bank and in hand.

The notes on pages 21-43 form part of these financial statements.

Company statement of cash flows for the period 17 February to 31 December 2017

	Note	2017 £
Cash flows from operating activities		
Cash used in operations	16	<u>(6,969,924)</u>
Net cash used in operating activities		(6,969,924)
Cash flows from investing activities		
Investments in subsidiary		(100)
Cash flows from financing activities		
Issue of new shares		7,863,584
Net increase in cash and cash equivalents		<u>893,560</u>
Cash and cash equivalents at 17 February 2017		<u>-</u>
Cash and cash equivalents at 31 December		<u>893,560</u>

Cash and cash equivalents is entirely made up of cash at bank and in hand.

The notes on pages 21-43 form part of these financial statements.

Notes to the financial statements for the period ended 31 December 2017

1 General information

The Company is incorporated and domiciled in England & Wales in United Kingdom under the Companies Act 2006. The Company is a private company limited by shares. It was incorporated on 17 February 2017. The address of the registered office is detailed on page 1, and the principal activity of the Company is disclosed in the Strategic report on page 2.

2 Principal accounting policies

Basis of preparation

These financial statements are presented in GB Pound Sterling (£) and in conformity with United Kingdom laws and regulations. They are prepared in accordance with EU adopted IFRS and interpretations issued by the IFRS Interpretations Committee and the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements have been prepared under the historical cost convention and as per the Directors' report on a going concern basis. The principal accounting policies, which have been consistently applied, are set out below.

By including the Company financial statements here together with the Group consolidated financial statements, the Company is taking advantage of the exemption in Section 408 of the Companies Act 2006 not to present its individual income statement and related notes that form a part of these approved financial statements.

New holding company

Zopa Holdings Inc was incorporated on 24 September 2004 and is domiciled in the United States in the State of Delaware with registration number 3853606. On 10 May 2017 Zopa Group Limited replaced Zopa Holdings Inc as the ultimate parent of the Group, via a corporate reorganisation. Zopa have determined that this Corporate transaction does not count as a business combination in accordance with IFRS 3.

As highlighted in the Strategic report on page 2, in order to appropriately reflect the substance of the transaction, the reorganisation has been accounted for as a continuation of a previous group, of which Zopa Holdings Inc was the previous parent. As such, while this is the first accounting period of Zopa Group Limited as a legal entity, consolidated financial statements have been prepared accounting for the reorganisation as a continuing business using guidance in IAS27(13). This sees the creation of a merger reserve in both the Company and consolidated financial statements.

In order to present the equity balances of the Group on a continuation basis, the equity balances on the Group statement of financial position as at 1 January 2016 have been presented as follows:

Notes to the financial statements for the period ended 31 December 2017 (continued)

2 Principal accounting policies (continued)

Basis of preparation (continued)

	Share capital	Share Premium	Other reserves	Accumulated losses	Total equity
	£	£	£	£	£
1 January 2016	17,330	49,487,220	2,888,092	(38,594,695)	13,797,947
Cancellation of shares in the former parent company	(17,330)	(49,487,220)	-	-	(49,504,550)
Issuance of shares in the new parent company	291,403	-	49,213,147	-	49,504,550
1 January 2016	291,403	-	52,101,239	(38,594,695)	13,797,947

The Group's consolidated financial statements are issued in the name of the legal parent company, Zopa Group Limited. The comparative figures for the financial year ended December 2016 are the Group financial statements of Zopa Holdings Inc for that financial year.

New and amended standards adopted by the Group

Annual improvements to IFRS 2014-2016 Cycle

The issues addressed in this cycle cover IFRS1, IFRS12, and IAS28. The amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018, the amendment to IFRS 12 for annual periods beginning on or after 1 January 2017.

New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2018 and not early adopted

IFRS 2 Share based payments

The amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. The changes are effective for accounting periods beginning on or after 1 January 2018.

IFRS 9 Financial instruments

The Standard includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting. It also includes an expected credit losses model that replaces the current incurred loss impairment model. The Standard is effective for accounting periods beginning on or after 1 January 2018.

IFRS 15 Revenue from contracts with customers

The Standard sets out at what point and how revenue is recognised and also requires enhanced disclosures. Revenue contracts should be recognised in accordance with a single, principles based five-step plan. The Standard is effective for accounting periods beginning on or after 1 January 2018.

Notes to the financial statements for the period ended 31 December 2017 (continued)

2 Principal accounting policies (continued)

Basis of preparation (continued)

IFRS 16 Leases

The Standard assesses the use of off-balance sheet leases, bringing most lessee leases on-balance sheet and eliminating the distinction between operating and finance leases. The Standard is effective for periods beginning on or after 1 January 2019.

The Group has commenced its review of all the above changes and fully expect to adopt the required standards in a timely fashion. There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

Revenue

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of rebates and amounts collected on behalf of third parties.

The Group companies recognise revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Company's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

The Group's main types of revenue arise from the principal activity of operating an online marketplace lending platform and represent the commission charged to borrowers and lenders for the use of the on-line lending and borrowing exchange. Revenue from servicing fees is recognised over the term of the loan. The borrower fee is recognised when the borrower accepts the loan.

Investment in subsidiaries

Investments in subsidiaries are initially recognised at cost. Investments are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). An impairment loss is recognised in the income statement as the amount by which the asset's carrying amount exceeds its recoverable amount.

Notes to the financial statements for the period ended 31 December 2017 (continued)

2 Principal accounting policies (continued)

Property, plant and equipment and depreciation

Property, plant and equipment are stated as historic purchase cost less accumulated depreciation. The cost of tangible assets is their purchase cost together with incidental costs of acquisition. Incidental costs only include those that are necessary to bring the asset into the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is calculated so as to write off the cost of tangible fixed assets less their estimated residual values on a straight-line basis over the expected useful economic lives of the assets concerned being:

Office equipment	3-5 years
Fixtures and fittings	3 years

Depreciation is charged from the first full month after the date of acquisition of the asset. Residual values and useful economic lives for tangible assets are reviewed regularly and revised when necessary. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

Intangible assets

Intangible assets relate to technical development costs, including employee costs, and are recognised if all of the following criteria are met:

- it is technically feasible to complete the intangible asset so that it will be available for use;
- there is an intention and the ability to use or sell the intangible asset;
- adequate technical, financial and other resources are available to complete the development and to use or sell the intangible asset;
- it is probable that the asset will result in a flow of future economic benefits; and
- the expenditure attributable to the asset can be reliably measured.

Intangible assets are amortised on a straight-line basis over their useful life, which does not exceed 3 years. The residual value of intangible assets is assumed to be zero. Impairment reviews are carried out at the end of each reporting period. Assets are stated at cost less accumulated amortisation and any recognised impairment.

Expenditure on research is charged to the statement of comprehensive income in the year in which it is incurred.

The intangible asset recognised relating to the Banking licence is the development costs incurred towards the Banking licence application it has made to, and it expects to be approved by, the PRA. This consists of both employee costs and also other costs that have been incurred during the application process. Further costs are expected during 2018. The banking licence is considered to have an indefinite useful life.

Notes to the financial statements for the period ended 31 December 2017 (continued)

2 Principal accounting policies (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are classified as held-to-maturity. They are initially recognised at fair value and subsequently measured at amortised cost. Impairment reviews are carried out at the end of each reporting period. Where there is objective evidence of impairment this is recognised through profit and loss.

Leases

Leases of property, plant and equipment where the Company or Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Company or Group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Company or Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position. Client assets in the form of loans and client money are not recognised in the statement of financial position.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Impairment is recognised through the income statement.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Company or Group prior to the end of financial period which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost.

Notes to the financial statements for the period ended 31 December 2017 (continued)

2 Principal accounting policies (continued)

Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Company or Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Foreign currencies

Transactions denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities are translated at the rates of exchange ruling on the reporting date and any differences arising are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the income statement, within finance costs. All other foreign exchange gains and losses are presented in the income statement on a net basis within other income or other expenses.

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in GB Pound Sterling (£), which is Zopa Group Limited's functional and presentation currency.

Income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated based on the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate based on amounts expected to be paid to the tax authorities.

Notes to the financial statements for the period ended 31 December 2017 (continued)

2 Principal accounting policies (continued)

Income tax (continued)

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The Group may be entitled to claim special tax deductions for investments in qualifying assets or in relation to qualifying expenditure (e.g. the Research and Development Tax Incentive regime in the UK or other investment allowances). The financial statements account for such allowances as tax credits, which means that the allowance reduces income tax payable and current tax expense.

Employee benefits

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as accruals and deferred income in the statement of financial position.

Pension obligations

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. It has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Notes to the financial statements for the period ended 31 December 2017 (continued)

2 Principal accounting policies (continued)

Share-based payments

Equity-settled share-based compensation benefits are provided to employees of the Group's subsidiaries via options granted under the 2005 Stock Incentive Plan, 2015 Stock Incentive Plan, and the Zopa Group Limited Company Share Option Plan.

The fair value of options granted is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Critical accounting judgements and estimates

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Share based payments

Significant estimates and judgements include the estimation of the fair value of share-based payments. The Group has used the Black Scholes valuation model to determine the fair value of share-based payments. Changes to assumptions made by management will impact the valuation. See note 22 for additional information.

Safeguard fees

Management has assessed the appropriate revenue recognition treatment for Safeguard fees, specifically in relation to agent versus principle and subsequent presentation on a gross or net basis. Based on the facts and circumstances, and contractual arrangements, it is the judgement of management that the Group believes it is appropriate to disclose these fees on a gross basis.

Intangible assets

Intangible assets are recognised only when it is probable that the future economic benefits that are attributable to the asset will flow to the Group. Future economic benefits are dependent on management estimates being met.

Notes to the financial statements for the period ended 31 December 2017 (continued)

3 Management of financial risks

In the course of its business, the Group is exposed to a variety of financial risks such as foreign exchange risk, credit risk, liquidity risk and market risk (including interest rate risk). The Group's overall risk management programme seeks to minimise potential adverse effects on its financial performance.

Foreign exchange risk

Foreign exchange risk arises from the Group entering into transactions denominated in a currency other than its functional currency. These transactions typically relate to trade payables due within 30 days, due to the limited exposure to this risk hedging is not used.

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. This is managed by ensuring that there is always sufficient liquidity to meet liabilities when due both under normal and stressed conditions. The liquidity position is monitored on an ongoing basis.

The maturity analysis of financial instruments as at reporting dates is as follows:

Group	2017	2016
Financial assets available on demand and less than 1 month	£	£
Trade debtors	195,935	121,706
Cash and cash equivalents	9,032,160	9,898,574
	9,228,095	10,020,280
Current liabilities		
Trade creditors	2,512,633	430,968
Other creditors	427,346	-
Accruals	3,314,490	-
	6,254,469	430,968
Company	2017	
Financial assets available on demand and less than 1 month	£	
Cash and cash equivalents	893,560	
	893,560	
Current liabilities		
Trade and other payables	181,468	

Credit Risk

Credit risk arises from loans and other receivables, trade receivables and cash and cash equivalents. The Group has implemented certain operational processes and policies to address its credit related risks around credit deterioration, counterparty risk and transactional bad debt. The credit quality of the financial assets has been assessed and impairments of loans recognised.

Notes to the financial statements for the period ended 31 December 2017 (continued)

3 Management of financial risks (continued)

Credit Risk (continued)

Counterparty risk in relation to the cash and cash equivalents held is managed by selecting and working only with appropriate financial institutions. The financial stability of partners will be assessed prior to and at regular intervals during the relationship. Where available external credit rating of partners will be monitored.

Transactional bad debt, or loss, risk is managed by regular monitoring. Revenue is largely due to fees collected in the Zopa Limited platform with no transactional bad debt risk. The risk relates to the small amounts invoiced with the outstanding balance at period end displayed in trade receivables.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will be subject to fluctuating market prices. The Group has no price risk with respect to financial instruments as it does not hold marketable securities. It has no external borrowings and so is not exposed to interest rate risk.

Sensitivity analysis of these risks has not been performed due to the lack of exposure.

Capital management

The Company's objective when managing capital is to safeguard its ability to continue as a going concern. The Groups' objectives also include ensuring regulatory capital requirements are met. Financial performance is regularly reviewed by various committees in the business, focusing on the amount of regulatory and working capital needed. This is especially important as the business continues to expand. The process includes the monitoring of FCA returns as well as the annual budget and forecast process from which cashflow and capital assessments and projections are made. Capital consists of shareholders' equity. The Group has no debt.

4 Revenue

Revenue and loss before taxation derive materially from the principal activity of operating an online marketplace lending platform and arise wholly in the United Kingdom.

5 Other interest receivable and similar income

Group	2017	2016
	£	£
Interest receivable on bank deposits	<u>15,594</u>	<u>50,455</u>

Notes to the financial statements for the period ended 31 December 2017 (continued)

6 Operating loss

Operating loss is stated after charging:

Group	2017	2016
	£	£
Services provided by the company's auditors:		
Fees payable for the audit of the company and consolidated financial statements	23,850	50,580
Fees payable for the audit of the company's subsidiaries	59,344	
Fees payable for audit related assurance services	77,952	46,800
Fees payable for taxation services	5,025	58,171
Fees payable for assurance services	104,000	80,428
Amortisation of intangible assets	878,700	139,592
Depreciation of owned property, plant and equipment	780,728	574,229
Operating lease payments	1,743,630	1,425,860
Company	Period from 17 February 2017 to 31 December 2017	
	£	
Services provided by the Company's auditors:		
Fees payable for audit services	23,850	

7 Directors' emoluments

Total emoluments in respect of all Directors, who are the only key management personnel were:

Group	2017
	£
Short-term employee benefits	733,896
Post-employment benefits	7,283
Share-based payment benefits	382,931
	1,124,109
Company	2017
	£
Short-term employee benefits	166,661
Post-employment benefits	-
Share-based payment benefits	-
	166,661
Highest paid Director aggregate emoluments	55,000

The highest paid Director did not exercise any share options during the period.

Notes to the financial statements for the period ended 31 December 2017 (continued)

8 Employee information

The average monthly number of persons (including executive Directors) employed by the Group during the year was:

By activity:	2017 Number	2016 Number
Selling and distribution	80	62
Administration	187	126
	<u>267</u>	<u>188</u>

Employment costs for all the above employees, including Directors, were:

Group	2017	2016
Staff costs	£	£
Wages and salaries	13,662,301	8,933,407
Social security costs	1,548,440	965,617
Other Pension costs	181,105	-
Share based payments	1,243,624	1,915,610
	<u>16,635,470</u>	<u>11,814,634</u>

9 Taxation

Group	2017	2016
	£	£
Current tax		
Foreign tax suffered	64,483	23,338
Other taxes - R&D credit	(1,342,678)	-
Total tax (credit)/ charge	<u>(1,278,195)</u>	<u>23,338</u>

	2017	2016
	£	£
Loss before taxation	<u>(5,535,991)</u>	<u>(6,647,107)</u>

Loss before taxation multiplied by the weighted average UK standard corporation tax of 19.25% (2016: 20.00%)	(1,065,678)	(1,329,421)
Expenses not deductible for tax purposes	115,866	8,653
Losses for which no deferred tax asset is recognised	1,014,295	1,344,106
R&D tax credit	(1,342,678)	-
Total tax credit	<u>(1,278,195)</u>	<u>23,338</u>

	2017	2016
	£	£
Deferred tax asset	Unrecognised	Unrecognised
Origination and reversal of temporary differences	57,779	227,853
Tax losses available in future years	6,618,604	7,099,715
Total	<u>6,676,383</u>	<u>7,327,568</u>

Notes to the financial statements for the period ended 31 December 2017 (continued)

9 Taxation (continued)

Company	Period from 17 February 2017 to 31 December 2017
	£
Loss before taxation	<u>(369,578)</u>
Accounting loss multiplied by the weighted averaged UK standard corporation tax of 19.14%	(70,737)
Expenses not deductible for tax purposes	-
Losses for which no deferred tax asset is recognised	<u>70,737</u>
Total tax for the period	<u><u>-</u></u>
Deferred tax asset	£
	Unrecognised
Origination and reversal of temporary differences	-
Tax losses available in future years	<u>62,828</u>
Total	<u><u>62,828</u></u>

The deferred tax assets are not recognised as of 31 December 2017 and will be recognised at such time as it becomes more likely than not they will be realised in the foreseeable future.

Changes to the UK Corporation Tax rates were substantively enacted as part of the Finance Bill 2015 on 26 October 2015. These included reductions to the main rate of Corporation Tax to 19% from 1 April 2017 and 18% from 1 April 2020. At the Budget 2016 a further reduction from 1 April 2020 to 17% was announced and substantively enacted on 6 September 2016. Deferred taxes at the reporting date have been measured using these expected tax rates and applicable foreign tax rates and reflected in these statements.

Notes to the financial statements for the period ended 31 December 2017 (continued)

10 Property, plant and equipment

Group	Office equipment £	Fixtures and fittings £	Total £
Cost			
At 1 January 2016	1,128,587	266,767	1,395,354
Additions	535,521	726,393	1,261,914
Disposals	(208,129)	(173,265)	(381,394)
At 31 December 2016	1,455,979	819,895	2,275,874
Additions	2,245,487	182,783	2,428,270
Disposals	(96,191)	-	(96,191)
At 31 December 2017	3,605,275	1,002,678	4,607,953
Accumulated depreciation			
At 1 January 2016	553,915	170,219	724,134
Charge for the financial year	393,691	180,538	574,229
Charge for disposals	(208,129)	(173,265)	(381,394)
At 31 December 2016	739,477	177,492	916,969
Charge for the financial year	498,820	281,908	780,728
Charge for disposals	(96,191)	-	(96,191)
At 31 December 2017	1,142,106	459,400	1,601,506
Net book value			
31 December 2017	<u>2,463,169</u>	<u>543,278</u>	<u>3,006,447</u>
31 December 2016	<u>716,502</u>	<u>642,403</u>	<u>1,358,905</u>

Notes to the financial statements for the period ended 31 December 2017 (continued)

11 Intangible Assets

Group	Purchased £	Internally generated £	Banking Licence £	Total £
Cost				
At 1 January 2016	-	-	-	-
Additions	184,815	1,172,798	-	1,357,613
At 31 December 2016	184,815	1,172,798	-	1,357,613
Additions	460,966	2,666,267	913,933	4,041,166
At 31 December 2017	645,781	3,839,065	913,933	5,398,779
Accumulated amortisation				
At 1 January 2016	-	-	-	-
Charge for the financial year	18,120	121,472	-	139,592
At 31 December 2016	18,120	121,472	-	139,592
Charge for the financial year	163,406	715,294	-	878,700
At 31 December 2017	181,526	836,766	-	1,018,292
Net book value				
31 December 2017	464,255	3,002,299	913,933	4,380,487
31 December 2016	166,695	1,051,326	-	1,218,021

The Banking Licence is deemed to have an indefinite useful life and therefore no amortisation is charged. Other intangible assets relate to software and databases both purchased and internally generated. Amortisation is recognised within administrative expenses in the Consolidated Statement of Comprehensive Income. Intangible assets are tested for impairment annually.

12 Investments in subsidiaries

Company

Investment in subsidiary	£
At 17 February 2017	-
Share Purchase	100
Corporate reorganisation	61,533,535
Share based payments	748,631
At 31 December 2017	62,282,266

Notes to the financial statements for the period ended 31 December 2017 (continued)

12 Investments in subsidiaries (continued)

Zopa Group Limited 100% owns Zopa Holdings Inc. (US Company number 3853606), which 100% owns Zopa Limited (Company number 05197592), registered address: 1st Floor Cottons Centre, 47-49 Tooley Street, London, England, SE1 2QG.

Zopa Group Limited also 100% owns Zopa Financial Services Limited (Company number 10627575), registered address: 1st Floor Cottons Centre, 47-49 Tooley Street, London, England, SE1 2QG. Individual financial statements for Zopa Limited and Zopa Financial Services Limited can be obtained from Companies House.

13 Receivables

Group

Trade, loans and other receivables - non-current	2017	2016
	£	£
Rental deposit	1,249,974	1,249,974
Loans and receivables	1,402,698	20,000
Non-current prepayments	129,872	90,097
	<u>2,782,544</u>	<u>1,360,071</u>
Trade, loans and other receivables - current	2017	2016
	£	£
Trade debtors	195,935	99,105
Other debtors	817,899	700,316
Loans	114,602	44,958
Prepayments	1,666,790	625,481
Accrued income	694,832	434,515
	<u>3,490,058</u>	<u>1,904,375</u>

Company

	2017
	£
Current trade and other receivables	
Amounts due from group undertakings	6,726,997
Other debtors	100
Prepayments	54,717
	<u>6,781,814</u>

None of the amounts shown are considered to be past due or impaired. Amounts due from group undertakings are unsecured, interest free and payable on demand.

Notes to the financial statements for the period ended 31 December 2017 (continued)

14 Trade and other payables

Group	2017	2016
	£	£
Trade creditors	2,512,633	1,620,816
Other taxation and social security	1,027,610	370,334
Other creditors	427,346	246,215
Accruals and deferred income	3,539,596	2,095,856
	<u>7,507,185</u>	<u>4,333,221</u>

Other creditors relates to amounts provided for dilapidations on leased property and amounts owed to the defined contribution pension scheme.

Company	2017
	£
	78,085
Other creditors	103,383
Accruals	<u>181,468</u>

15 Financial instruments

Trade, loans, and other receivables and Cash and cash equivalents are considered to be the Group's financial assets. Trade and other payables are considered to be the Group's financial liabilities. Financial assets and liabilities are recorded at their fair value with any changes recorded through profit or loss. Management consider the carrying value to be the fair value. Financial assets, included in Non-current assets, that are neither past due nor impaired are performing in line with expectations at the date of purchase. In the absence of objective evidence, no provision is considered necessary. None of the assets are rated by an independent credit rating agency.

Notes to the financial statements for the period ended 31 December 2017 (continued)

16 Cash generated from/ (used in) operations

Group	2017	2016
	£	£
Loss before taxation	(5,535,991)	(6,647,107)
Adjustments for:		
Depreciation of property, plant and equipment	780,728	574,229
Interest received	(15,594)	(50,455)
Share based payments	1,243,624	1,915,610
Amortisation of intangible assets	878,700	139,592
Provision for bad debt	151,579	-
Exchange rate differences	34,364	118,640
Changes in working capital:		
Movement in trade and other receivables	(1,585,683)	(1,998,121)
Movement in trade and other payables	952,595	2,418,977
Cash used in operations	<u>(3,095,678)</u>	<u>(3,528,635)</u>

Company	Period from 17 February 2017 to 31 December 2017
	£
Loss before taxation	(369,578)
Changes in working capital:	
Movement in trade and other receivables	(6,781,814)
Movement in trade and other payables	181,468
Cash used in operations	<u>(6,969,924)</u>

Notes to the financial statements for the period ended 31 December 2017 (continued)

17 Share capital

The balance on the share capital account represents the aggregate nominal value of all preferred and ordinary shares in issue. All preferred and ordinary shares have a nominal value of £0.01.

The balance on the share premium account represents the amounts received in excess of the nominal value of the preference and ordinary shares. Preferred shares include all Series 1, 2, 2B, 2C & 3 preferred shares.

Group				
Number of shares	Ordinary Shares	Ordinary A	Preferred Shares	Total Shares
Balance as at 1 January 2016*	10,479,559	835,000	17,825,700	29,140,259
Balance as at 31 December 2016 and 1 January 2017*	10,479,559	835,000	17,825,700	29,140,259
Issue of share capital	1,058,201	-	-	1,058,201
Exercise of options	20,211	-	-	20,211
Balance as at 31 December 2017	11,557,971	835,000	17,825,700	30,218,671
Share capital	Ordinary Shares	Ordinary A	Preferred Shares	Total Shares
	£	£	£	£
Balance as at 1 January 2016*	104,796	8,350	178,257	291,403
Balance as at 31 December 2016 and 1 January 2017*	104,796	8,350	178,257	291,403
Issue of share capital	10,582	-	-	10,582
Exercise of options	202	-	-	202
Balance as at 31 December 2017	115,580	8,350	178,257	302,187

* Balance presented based on corporate reorganisation (see note 2).

Notes to the financial statements for the period ended 31 December 2017 (continued)

17 Share capital (continued)

Company				
Number of shares	Ordinary Shares	Ordinary A	Preferred Shares	Total Shares
Balance as at 17 February 2017	-	-	-	-
Formation	100	-	-	100
Sub-division of shares	9,900	-	-	9,900
Corporate reorganisation	10,469,559	835,000	17,825,700	29,130,259
Issue of share capital	1,058,201	-	-	1,058,201
Exercise of options	20,211	-	-	20,211
Balance as at 31 December 2017	11,557,971	835,000	17,825,700	30,218,671

Share capital	Ordinary Shares £	Ordinary A £	Preferred Shares £	Total Shares £
Balance as at 17 February 2017	-	-	-	-
Formation	100	-	-	100
Corporate reorganisation	104,696	8,350	178,257	291,303
Issue of share capital	10,582	-	-	10,582
Exercise of options	202	-	-	202
Balance as at 31 December 2017	115,580	8,350	178,257	302,187

Dividends

Pro-rata and pari-passu across all Stockholders (other than Common A Stock, which is subject to a per-share cap of 0.0084% of any dividend payable and an overall cap of 5% annual yield of the par value of all issued Common A Stock).

Liquidation preference

On distribution of assets on liquidation, holders of preferred shares rank ahead of holders of ordinary shares but limited in value to their initial investment in those shares. All preferred shares are convertible to common stock on a 1:1 basis. Series 1-2C participate in liquidation preference and pro-rata, as converted basis thereafter. Series 3 are non-participating. Common A participate Pro rata following liquidation preferences and subject to participation, but subject to per-share cap of 0.0084% of the distribution and an overall cap of 5% annual yield of the par value of all issued Common A Stock.

Notes to the financial statements for the period ended 31 December 2017 (continued)

18 Other reserves

Group	Share Based Payment Reserve	Merger reserve	Currency translation reserve	Total other reserves
	£	£	£	£
Balance as at 1 January 2016*	2,058,303	49,213,147	829,789	52,101,239
Exchange rate differences	-	-	118,640	118,640
Issue of share capital	-	2,272,738	-	2,272,738
Cost of Capital	-	(103,630)	-	(103,630)
Exercise of options	-	75,865	-	75,865
Share based payment charge	1,915,610	-	-	1,915,610
Balance as at 31 December 2016*	3,973,913	51,458,120	948,429	56,380,462
Exchange rate differences	-	-	34,364	34,364
Exercise of options	-	5,497	-	5,497
Share based payment charge	1,243,624	-	-	1,243,624
Balance as at 31 December 2017	5,217,537	51,463,617	982,793	57,663,947

* Presented based on corporate reorganisation (see note 2).

Company	Share Based Payment Reserve	Merger reserve	Total other reserves
	£	£	£
Balance as at 17 February 2017	-	-	-
Corporate reorganisation	-	61,242,132	61,242,132
Share based payment charge	748,631	-	748,631
Balance as at 31 December 2017	748,631	61,242,132	61,990,763

Notes to the financial statements for the period ended 31 December 2017 (continued)

19 Financial commitments

Leases

The Group had total commitments under non-cancellable operating leases, payable as follows:

	2017	2016
	£	£
Land and buildings		
Under 1 year	1,492,158	694,430
Between 1 and 5 years	5,615,697	5,555,440
Over 5 years	1,187,824	2,576,684
Total	8,295,679	8,826,554

Purchase commitments

The Group had total minimum spend commitments relating to credit checks, payable as follows:

	2017	2016
	£	£
Purchase agreements		
Under 1 year	2,652,099	1,352,403
Between 1 and 5 years	2,240,956	2,054,768
Total	4,893,055	3,407,171

20 Company related party transactions

At 31 December 2017 £716,423 is due from the group Company, Zopa Financial Services Limited and £6,000,669, is due from the group Company, Zopa Limited. Amounts have been settled in full.

At 31 December 2017 £9,905 is due from the group Company, Zopa Holdings Inc.

21 Ultimate parent undertaking and controlling party

In May 2017 Zopa Group Limited acquired 100% of Zopa Holdings Inc. becoming the ultimate parent undertaking. Following this the Directors do not consider there to be one single ultimate controlling party.

Notes to the financial statements for the period ended 31 December 2017 (continued)

22 Share based payment arrangements

The Group operates three equity-settled share-based compensation plans, the 2005 Stock Incentive Plan, 2015 Stock Incentive Plan, and the Zopa Group Limited Company Share Option Plan. Group entities receive services from certain employees as consideration for equity option instruments (share options) of the ultimate parent. The fair value of the employee services received in exchange for the grant of options is expensed each reporting period, based on the Group's estimate of shares that will eventually vest and the value of the options as at the date of grant.

Group	Options Number	Weighted Average Exercise Price £
Outstanding options at 1 January 2017	2,483,440	1.8067
Granted during 2017	697,446	4.3379
Exercised during 2017	(25,708)	1.1312
Lapsed during 2017	(130,816)	2.1975
Outstanding options at 31 December 2017	3,024,362	2.3793
Exercisable options at 31 December 2017	1,493,255	1.4019

The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions.

A Black Scholes option pricing model has been used to calculate the fair value of the options granted in the period. The significant assumptions used in the Black Scholes model were:

	2017
Volatility	35%
Risk free rate	1.50%
Dividend yield	0%
Expected life	10 years

The share-based payment charge in the year was £1,243,624 (2016: £1,915,610).

23 Subsequent events

On 1st February 2018, Zopa Group Limited's subsidiary, Zopa Financial Services Limited submitted its Banking licence application to the PRA.

In March 2018, Zopa Group Limited received £8,000,000 from a fundraising round, a further £27,625,001 in August and £1,874,999 in September 2018.

The Company subscribed for additional ordinary shares in Zopa Financial Services Limited as follows between the period end and the date of signing of the financial statements:

- 29th March 2018 - £8,000,000 investment of cash by the Company into ordinary shares of Zopa Financial Services Limited
- 24th May 2018 - £4,160,000 conversion of intercompany indebtedness from Zopa Financial Services Limited into ordinary shares
- 31st August 2018 - £20,000,000 investment of cash by the Company into ordinary shares of Zopa Financial Services Limited.