

Registered number: 05197592

Zopa Limited
Annual report and Financial Statements
for the year ended 31 December 2014



Zopa Limited

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Directors and advisers for the year ended 31 December 2014

Directors

Giles Andrews
Greg Jackson
Jaidev Janardana

Company Secretary

Giles Andrews

Registered Office

90 Fetter Lane
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EC4A 1EN

Bankers

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28 Cavendish Square
London
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Lawyers

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Condor House
5-10 St Paul's Churchyard
London
EC4M 8AL

Chartered Accountants and Statutory Auditors

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

Directors' report for the year ended 31 December 2014

Registered number: 05197592

The directors present the annual report and the audited financial statements of the company for the year ended 31 December 2014.

Principal activities and business review

The principal activity of Zopa Limited is the development and provision of an on-line lending and borrowing exchange.

The results of the company show a loss on ordinary activities before taxation of £5.60 million (2013: £2.58 million). The directors do not recommend the payment of a dividend in the current year (2013: £nil).

As at 31 December 2014, the company has net assets of £15.2 million (2013: £0.9 million).

The directors anticipate the entry of new competitors to, and growth of existing competitors in our sector but are confident we will continue to show strong growth. The regulation of our sector by the FCA from April 2014 is welcomed.

Directors

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

Giles Andrews
Greg Jackson
Jaidev Janardana

Exceptional items

The exceptional item included in the profit and loss account relates to income from a reduction in the provision made against intercompany balances of £236,223 for the year ended 31 December 2013.

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 period. 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

**Directors' report for the year ended 31 December 2014
(continued)**

Statement of directors' responsibilities (continued)

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 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.

Statement of Disclosure of Information to Auditors

In the case of each director in office at the date the directors' report is approved:

(a) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and

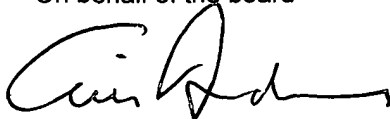
(b) the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent Auditors

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

This report has been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies.

On behalf of the board



Giles Andrews
Director
24th July 2015

Independent auditors' report to the members of Zopa Limited

Report on the financial statements

Our opinion

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

- give a true and fair view of the state of the company's affairs as at 31 December 2014 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

Zopa Limited's financial statements comprise:

- the balance sheet as at 31 December 2014;
- the profit and loss account for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and the Financial Reporting Standard for Smaller Entities (Effective April 2008) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

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

Entitlement to exemptions

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to: prepare financial statements in accordance with the small companies regime; and take advantage of the small companies exemption from preparing a strategic report. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements. We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Leighton Thomas (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
24th July 2015

Profit and loss account for the year ended 31 December 2014

| | Note | 2014 £ | 2013 £ |
|--|------|---------------------------|--------------------|
| Turnover | 2 | 11,475,717 | 5,377,701 |
| Cost of sales | | <u>(6,199,643)</u> | <u>(2,297,793)</u> |
| Gross profit | | 5,276,074 | 3,079,908 |
| Distribution costs | | (4,141,672) | (1,965,640) |
| Administrative expenses | | | |
| Excluding exceptional item | | (6,777,029) | (3,959,898) |
| Exceptional item | 4 | - | 236,223 |
| Administrative expenses including exceptional item | | <u>(6,777,029)</u> | <u>(3,723,675)</u> |
| Operating loss | | (5,642,627) | (2,609,407) |
| Interest receivable and similar income | 3 | <u>39,086</u> | <u>26,966</u> |
| Loss on ordinary activities before taxation | | (5,603,541) | (2,582,441) |
| Tax on loss on ordinary activities | 7 | - | - |
| Loss for the financial year | 14 | <u>(5,603,541)</u> | <u>(2,582,441)</u> |

There are no gains or losses other than the loss shown above and therefore no separate statement of total recognised gains and losses has been presented.

All results derive from continuing operations and there is no material difference between the loss on ordinary activities before taxation and the loss for the financial years stated above and their historical costs equivalents.

Balance sheet as at 31 December 2014

| | Note | 2014 £ | 2013 £ |
|---|------|----------------------------|-----------------------|
| Fixed assets | | | |
| Tangible assets | 8 | <u>675,456</u> | <u>298,048</u> |
| | | 675,456 | 298,048 |
| Current assets | | | |
| Debtors | 9 | 2,255,945 | 189,099 |
| Cash at bank and in hand | | <u>13,330,965</u> | <u>1,040,569</u> |
| | | 15,586,910 | 1,229,668 |
| Creditors: falling due within one year | 10 | <u>(990,024)</u> | <u>(617,539)</u> |
| Net current assets | | 14,596,886 | 612,129 |
| Total assets less current liabilities | | 15,272,342 | 910,177 |
| Provisions for liabilities | 11 | (56,406) | (14,625) |
| Net assets | | <u>15,215,936</u> | <u>895,552</u> |
| Capital and reserves | | | |
| Called up share capital | 13 | 199,824 | 199,824 |
| Share premium account | 14 | 5,815,640 | 5,815,640 |
| Other reserves | 14 | 31,016,945 | 11,093,020 |
| Profit and loss account | 14 | <u>(21,816,473)</u> | <u>(16,212,932)</u> |
| Total shareholders' funds | 15 | <u>15,215,936</u> | <u>895,552</u> |

These financial statements have been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006, 'The small companies and Groups (Accounts and Directors' Report) Regulations 2008', and with the Financial Reporting Standard for Smaller Entities (effective April 2008).

The financial statements, which comprises the profit and loss account, the balance sheet and the related notes were approved by the directors on 24th July 2015 and were signed on its behalf by:



Giles Andrews
Director
24th July 2015

Notes to the financial statements for the year ended 31 December 2014

1 Principal accounting policies

These financial statements are prepared on a going concern basis, under the historic cost convention, in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008), the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been consistently applied, are set out below:

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 company covering a period of at least 12 months from the date of their approval of these financial statements and the Directors consider the company will be able to operate within its available facilities. These available facilities include the capital contribution which was received subsequent to the year end.

Exceptional items

Exceptional items are events that fall within the ordinary activities of the Company, but which by virtue of size or incidence, have been separately disclosed in order to improve a reader's understanding of the financial statements. These include one-off events or transactions.

Tangible fixed assets and depreciation

Tangible fixed assets are stated as historic purchase cost less accumulated depreciation. The cost of tangible assets is their purchase cost together with any incidental costs of acquisition.

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 | 3-4 years |
| Fixtures and fittings | 3-4 years |

Residual values and useful economic lives for tangible assets are reviewed regularly and revised when necessary.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Research and development expenditure

Expenditure on research and development is charged to the profit and loss account in the year in which it is incurred.

Notes to the financial statements for the year ended 31 December 2014 (continued)

Principal accounting policies (continued)

Turnover

Turnover arises from the principal activity and represents the commission charged to borrowers and lenders for the use of the on-line lending and borrowing exchange. Turnover from lender fees is recognised over the term of the loan. The borrower fee is recognised when the borrower accepts the loan.

Cash flow statement

The company has prepared the financial statements under the Financial Reporting Standard for Smaller Entities (effective April 2008) and as such is not required to prepare a cash flow statement.

Operating leases

Costs in respect of operating leases are charged to the profit and loss account on a straight line basis over the lease term.

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 balance sheet date and any differences arising are taken to the profit and loss account.

Provisions

Provisions are recognised when a present obligation exists as the result of a past event and it is probable that this will result in an outflow of economic benefit, the size of which can be reliably estimated. Provisions are measured on a non-discounted basis.

2 Turnover

Turnover and loss on ordinary activities before taxation derive from the principal activity and wholly arise in the United Kingdom.

3 Interest receivable and similar income

| | 2014 | 2013 |
|--------------------------------------|---------------|---------------|
| | £ | £ |
| Interest receivable on bank deposits | <u>39,086</u> | <u>26,966</u> |

Notes to the financial statements for the year ended 31 December 2014 (continued)

4 Operating loss

Operating loss is stated after charging/(crediting):

| | 2014 | 2013 |
|---|-----------------------------|-----------------------------|
| | £ | £ |
| Services provided by the company's auditors: | | |
| Fees payable for audit services | 18,600 | 16,200 |
| Fees payable for other services – tax compliance | 9,180 | 5,520 |
| Depreciation of owned tangible assets | 206,640 | 66,793 |
| Loss on disposal of fixed assets | - | 1,677 |
| Operating lease payments – land and buildings | 187,675 | 165,333 |
| Release of provision against intercompany balance | - | (236,223) |
| | <u> </u> | <u> </u> |

The exceptional item relates to a release in the provision made in 2007 against the intercompany balances.

5 Directors' emoluments

Total emoluments in respect of all directors were:

| | 2014 | 2013 |
|----------------------|----------------|----------------|
| | £ | £ |
| Aggregate emoluments | <u>236,464</u> | <u>156,038</u> |

No Director (2013: none) accrued any benefits under either money purchase or defined benefit pension schemes

Notes to the financial statements for the year ended 31 December 2014 (continued)

6 Employee information

The average monthly number of persons (including directors) employed by the company during the year was:

| By activity: | 2014 | 2013 |
|--------------------------|------------------|-----------|
| | Number | Number |
| Selling and distribution | 22 | 14 |
| Administration | 40 | 26 |
| | <u>62</u> | <u>40</u> |

Employment costs for all of the above employees, including directors, were:

| | 2014 | 2013 |
|-----------------------|-------------------------|------------------|
| | £ | £ |
| Staff costs | | |
| Wages and salaries | 2,736,988 | 1,702,868 |
| Social security costs | 305,612 | 183,174 |
| | <u>3,042,600</u> | <u>1,886,042</u> |

7 Tax on profit on ordinary activities

| | 2014 | 2013 |
|--|-------------------------|------------------|
| | £ | £ |
| Deferred tax asset | Unrecognised | Unrecognised |
| Origination and reversal of timing differences | 79,496 | 54,952 |
| Tax losses available in future years | 4,355,642 | 3,069,105 |
| Total | <u>4,435,138</u> | <u>3,124,057</u> |

The deferred tax assets are not recognised as of 31 December 2014 and will be recognised at such time as it becomes likely that they will be realised in the foreseeable future.

The Finance Act 2013, which was substantively enacted on 2 July 2013, included legislation reducing the main rate of corporation tax from 23% to 21% from 1 April 2014 and from 21% to 20% from 1 April 2015. Un-provided deferred tax has therefore been calculated at 20% (2013: 20%).

Notes to the financial statements for the year ended 31 December 2014 (continued)

8 Tangible assets

| | Office equipment £ | Fixtures and fittings £ | Total £ |
|---------------------------------|--------------------------|-------------------------------|-------------------------|
| Cost | | | |
| At 1 January 2014 | 248,867 | 199,540 | 448,407 |
| Additions | 562,995 | 21,053 | 584,048 |
| At 31 December 2014 | <u>811,862</u> | <u>220,593</u> | <u>1,032,455</u> |
| Accumulated depreciation | | | |
| At 1 January 2014 | 131,362 | 18,997 | 150,359 |
| Charge for the financial year | 135,690 | 70,950 | 206,640 |
| At 31 December 2014 | <u>267,052</u> | <u>89,947</u> | <u>356,999</u> |
| Net book value | | | |
| 31 December 2014 | <u>544,810</u> | <u>130,646</u> | <u>675,456</u> |
| 31 December 2013 | <u>117,505</u> | <u>180,543</u> | <u>298,048</u> |

9 Debtors

| | 2014 £ | 2013 £ |
|----------------|-------------------------|-----------------------|
| Other debtors | 2,022,155 | 79,213 |
| Prepayments | 177,709 | 89,872 |
| Accrued income | 56,081 | 20,014 |
| | <u>2,255,945</u> | <u>189,099</u> |

The other debtors balance as of 31st December 2014 included £1,934,662 subsequently received on 6th January 2015.

Notes to the financial statements for the year ended 31 December 2014 (continued)

10 Creditors: amounts falling due within one year

| | 2014 | 2013 |
|------------------------------------|----------------|----------------|
| | £ | £ |
| Trade creditors | 509,709 | 356,239 |
| Amounts owed to group undertakings | - | 117,857 |
| Other taxation and social security | 146,230 | 80,892 |
| Other creditors | 34,424 | 17,333 |
| Accruals and deferred income | 299,661 | 45,218 |
| | <u>990,024</u> | <u>617,539</u> |

The amounts owed to group undertakings are unsecured, have no fixed date for repayment and are non-interest bearing.

11 Provisions for liabilities

| | Borrower fraud | Office Dilapidations | Total |
|----------------------------|----------------------|-------------------------|----------------------|
| | £ | £ | £ |
| At 1 January 2014 | 9,125 | 5,500 | 14,625 |
| Provided in the year | 27,381 | 14,400 | 41,781 |
| At 31 December 2014 | <u>36,506</u> | <u>19,900</u> | <u>56,406</u> |

12 Share based payment arrangements

During the year ended 31 December 2014, Zopa Limited had a single share based payment arrangement with 35 employees for shares of Zopa Holdings Inc, the ultimate parent undertaking. In accordance with the FRSSSE, no share based payments charge has been recognised in the financial statements. The details of the arrangement are described below.

| Arrangement | Share options granted | | | |
|----------------------------------|--|---------------|---------------|---------------|
| | 2009 | 2011 | 2013 | 2014 |
| Number of instruments granted | 40,545 | 385,596 | 144,252 | 1,082,326 |
| Exercise price | £0.0466 | £0.0466 | £0.05 | £1.00 |
| Share price at the date of grant | £0.0466 | £0.0466 | £0.05 | £1.00 |
| Vesting conditions | Continuous employment since grant date to exercise date (4 years) | | | |
| Settlement | Equity shares | Equity shares | Equity shares | Equity shares |

During the year 1,225,134 share options were exercised (2013: 23,831). The above information applies to options outstanding at the end of the year.

Notes to the financial statements for the year ended 31 December 2014 (continued)

13 Called up share capital

| | 2014 £ | 2013 £ |
|--|----------------|----------------|
| Authorised: | | |
| 200,000 ordinary shares of £1 each (2013: 200,000) | <u>200,000</u> | <u>200,000</u> |
| Allotted and fully paid: | | |
| 199,824 ordinary shares of £1 each (2013: 199,824) | <u>199,824</u> | <u>199,824</u> |

14 Reserves

| | Share Premium Account £ | Other Reserves £ | Profit and Loss Account £ |
|---|-------------------------------|------------------------|---------------------------------|
| At 1 January 2014 | 5,815,640 | 11,093,020 | (16,212,932) |
| Capital contribution from ultimate parent undertaking | - | 19,923,925 | - |
| Loss for the financial year | - | - | (5,603,541) |
| At 31 December 2014 | <u>5,815,640</u> | <u>31,016,945</u> | <u>(21,816,473)</u> |

15 Reconciliation of movements in shareholders' funds

| | 2014 £ | 2013 £ |
|---|-------------------|----------------|
| (Loss)/profit for the financial year | (5,603,541) | (2,582,441) |
| Capital contribution from ultimate parent undertaking | 19,923,925 | - |
| Opening shareholders' funds | 895,552 | 3,477,993 |
| Closing shareholders' funds | <u>15,215,936</u> | <u>895,552</u> |

Notes to the financial statements for the year ended 31 December 2014 (continued)

16 Financial commitments

The company had annual commitments under non-cancellable operating leases, expiring as follows:

| | 2014 | 2013 |
|---------------------------|----------------|----------------|
| | £ | £ |
| Land and buildings | | |
| Between 2 and 5 years | 208,242 | 208,242 |
| Total | <u>208,242</u> | <u>208,242</u> |

The company had annual minimum spend commitments relating to credit checks, expiring as follows:

| | 2014 | 2013 |
|----------------------------|----------------|----------------|
| | £ | £ |
| Purchase agreements | | |
| Under 1 year | 204,000 | - |
| Between 2 and 5 years | 501,984 | 249,600 |
| Total | <u>705,984</u> | <u>249,600</u> |

17 Related party transactions

At 31 December 2014 £nil is due to the parent company, Zopa Holdings Inc. (2013: £117,857).

During the year a capital contribution of £19,923,925 (2013: £nil) was received from the parent company, Zopa Holdings Inc.

18 Ultimate parent undertaking and controlling party

Zopa Holdings Inc. (incorporated in the U.S.) continues to hold 100% of the issued capital of Zopa Limited at 31 December 2014 and is therefore regarded as the immediate and ultimate parent undertaking.

The Directors do not consider there to be an ultimate controlling party.