

Registered number: 05197592

**Zopa Limited**  
**Annual report and Financial Statements**  
**for the year ended 31 December 2013**



# Zopa Limited

## Annual report and Financial Statements for the year ended 31 December 2013

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**Directors and advisers for the year ended 31 December  
2013**

**Directors**

Giles Andrews  
Greg Jackson

**Company Secretary**

Giles Andrews

**Registered Office**

90 Fetter Lane  
London  
England  
EC4A 1EN

**Bankers**

The Royal Bank of Scotland  
London Cavendish Square Branch  
28 Cavendish Square  
London  
W1G 0DB

**Lawyers**

Wilmer Cutler Pickering Hale and Dorr LLP  
Alder Castle  
10 Noble Street  
London  
EC2V 7QJ

**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 2013**

Registered number: 05197592

The directors present the annual report and the audited financial statements of the company for the year ended 31 December 2013.

**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 pre-tax loss of £2.58 million (2012: profit of £0.01 million). The directors do not recommend the payment of a dividend in the current year (2012: £nil).

As at 31 December 2013, the company has net assets of £0.9 million (2012: £3.5 million).

In March 2014 the company received a capital contribution of £14.75m from its parent company, Zopa Holdings Inc.

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

**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 (2012: £568,502).

**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.

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.

**Directors' report for the year ended 31 December 2013  
(continued)**

**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

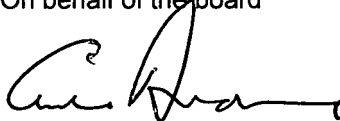
(b) the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**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**  
23<sup>rd</sup> June 2014

# **Independent auditors' report to the members of Zopa Limited**

## **Report on the financial statements**

### **Our opinion**

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the company's affairs as at 31 December 2013 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.

This opinion is to be read in the context of what we say in the remainder of this report.

### **What we have audited**

The financial statements, which are prepared by Zopa Limited, comprise:

- the balance sheet as at 31 December 2013;
- 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 their preparation 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.

### **What an audit of financial statements involves**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("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.

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

## **Opinion on 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.

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

### **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.

#### **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 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 Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.*

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and 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.



Brian Henderson (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
23<sup>rd</sup> June 2014

## Profit and loss account for the year ended 31 December 2013

	Note	2013 £	2012 £
<b>Turnover</b>	2	<b>5,377,701</b>	2,973,836
Cost of sales		<u>(2,297,793)</u>	<u>(211,218)</u>
Gross profit		<b>3,079,908</b>	2,762,618
Distribution costs		<b>(1,965,640)</b>	(989,187)
Administrative expenses			
Excluding exceptional item		<b>(3,959,898)</b>	(2,336,567)
Exceptional item	4	<b>236,223</b>	568,502
Administrative expenses including exceptional item		<b>(3,723,675)</b>	(1,768,065)
<b>Operating (loss)/profit</b>		<b>(2,609,407)</b>	5,366
Interest receivable and similar income	3	<u>26,966</u>	<u>5,441</u>
<b>(Loss)/Profit on ordinary activities before tax</b>		<b>(2,582,441)</b>	10,807
Tax on profit on ordinary activities	7	-	21,678
<b>(Loss)/Profit for the financial year</b>	14	<u><b>(2,582,441)</b></u>	<u>32,485</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 profit on ordinary activities before taxation and the profit for the financial year stated above and their historical costs equivalents.

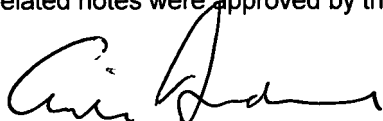


## Balance sheet as at 31 December 2013

	Note	2013 £	2012 £
<b>Fixed assets</b>			
Tangible assets	8	<u>298,048</u>	<u>32,367</u>
		<b>298,048</b>	<b>32,367</b>
<b>Current assets</b>			
Debtors	9	<b>189,099</b>	87,017
Cash at bank and in hand		<u>1,040,569</u>	<u>4,224,260</u>
		<b>1,229,668</b>	<b>4,311,277</b>
<b>Creditors: falling due within one year</b>	10	<u><b>(617,539)</b></u>	<u>(850,168)</u>
<b>Net current assets</b>		<b>612,129</b>	<b>3,461,109</b>
<b>Total assets less current liabilities</b>		<b>910,177</b>	<b>3,493,476</b>
<b>Provisions for liabilities</b>	11	<b>(14,625)</b>	(15,483)
<b>Net assets</b>		<u><b>895,552</b></u>	<u><b>3,477,993</b></u>
<b>Capital and reserves</b>			
Called up share capital	13	<b>199,824</b>	199,824
Share premium account	14	<b>5,815,640</b>	5,815,640
Capital contribution	14	<b>11,093,020</b>	11,093,020
Profit and loss account	14	<u><b>(16,212,932)</b></u>	<u>(13,630,491)</u>
<b>Total shareholders' funds</b>	15	<u><b>895,552</b></u>	<u><b>3,477,993</b></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 June 2014 and were signed on its behalf by:



Giles Andrews  
Director  
23<sup>rd</sup> June 2014

## Notes to the financial statements for the year ended 31 December 2013

### 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 2013 (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 profit before tax derive from the principal activity and wholly arise in the United Kingdom.

### 3 Interest receivable and similar income

	2013	2012
	£	£
Interest receivable on bank deposits	<u>26,966</u>	<u>5,441</u>

## Notes to the financial statements for the year ended 31 December 2013 (continued)

### 4 Operating profit

Operating profit is stated after charging/(crediting):

	2013	2012
	£	£
<b>Services provided by the company's auditor:</b>		
Fees payable for audit services	<b>16,200</b>	15,600
Fees payable for other services – tax compliance	<b>5,520</b>	5,400
Depreciation of owned tangible assets	<b>66,793</b>	34,708
Loss on disposal of fixed assets	<b>1,677</b>	-
Operating lease payments – land and buildings	<b>165,333</b>	87,436
Release of provision against intercompany balance	<u><b>(236,223)</b></u>	<u><b>(568,502)</b></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:

	2013	2012
	£	£
Aggregate emoluments	<u><b>156,038</b></u>	<u><b>148,589</b></u>

No Director (2012: none) accrued any benefits under either money purchase or defined benefit pension schemes

## Notes to the financial statements for the year ended 31 December 2013 (continued)

### 6 Employee information

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

By activity:	2013 Number	2012 Number
Selling and distribution	14	10
Administration	26	19
	<u>40</u>	<u>29</u>

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

	2013 £	2012 £
<b>Staff costs</b>		
Wages and salaries	1,702,868	1,198,383
Social security costs	183,174	129,519
	<u>1,886,042</u>	<u>1,327,902</u>

### 7 Tax on profit on ordinary activities

(a) Analysis of tax in the year	2013 £	2012 £
Current tax	-	-
Research and development tax credits received	-	(21,678)
		<u>(21,678)</u>
<b>Total Tax</b>	<u>-</u>	<u>(21,678)</u>

(b) Deferred tax asset	2013 £	2012 £
<i>Deferred tax:</i>	<b>Un-provided</b>	<b>Un-provided</b>
Origination and reversal of timing differences	54,952	47,447
Tax losses available in future years	3,069,105	2,861,593
		<u>2,909,040</u>
<b>Total</b>	<u>3,124,057</u>	<u>2,909,040</u>

## Notes to the financial statements for the year ended 31 December 2013 (continued)

### Tax on profit on ordinary activities (continued)

The un-provided deferred tax assets are not recognised as of 31 December 2013 as it is not considered likely that such deferred assets would 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% (2012: 23%).

### 8 Tangible assets

	Office equipment £	Fixtures and fittings £	Total £
<b>Cost</b>			
At 1 January 2013	192,667	14,037	206,704
Additions	134,257	199,894	334,151
Disposals	(78,057)	(14,391)	(92,448)
<b>At 31 December 2013</b>	<b>248,867</b>	<b>199,540</b>	<b>448,407</b>
<b>Accumulated depreciation</b>			
At 1 January 2013	163,246	11,091	174,337
Charge for the financial year	46,173	20,620	66,793
Charge for disposals	(78,057)	(12,714)	(90,771)
<b>At 31 December 2013</b>	<b>131,362</b>	<b>18,997</b>	<b>150,359</b>
<b>Net book value</b>			
<b>31 December 2013</b>	<b>117,505</b>	<b>180,543</b>	<b>298,048</b>
31 December 2012	29,421	2,946	32,367

### 9 Debtors

	2013 £	2012 £
Other debtors	79,213	21,898
Prepayments	89,872	55,975
Accrued income	20,014	9,144
	<b>189,099</b>	<b>87,017</b>

## Notes to the financial statements for the year ended 31 December 2013 (continued)

### 10 Creditors: amounts falling due within one year

	2013	2012
	£	£
Trade creditors	356,239	89,152
Amounts owed to group companies	117,857	484,028
Other taxation and social security	80,892	39,784
Other creditors	17,333	193,240
Accruals	45,218	43,964
	<u>617,539</u>	<u>850,168</u>

The amounts owed to group companies 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 2013	12,483	3,000	15,483
Released to the profit and loss account	(3,358)	-	(3,358)
Provided in the year	-	2,500	2,500
<b>At 31 December 2013</b>	<u><b>9,125</b></u>	<u><b>5,500</b></u>	<u><b>14,625</b></u>

### 12 Share based payment arrangements

During the year ended 31 December 2013, Zopa Limited had a single share based payment arrangement with 15 employees for shares of Zopa Holdings Inc, the ultimate parent undertaking. In accordance with the FRSSE, no share based payments charge has been recognised in the financial statements. The details of the arrangement are described below.

Arrangement	Share options granted	
	Price 1	Price 2
Number of instruments granted	1,772,438	177,971
Exercise price	£0.0466	£0.05
Share price at the date of grant	£0.0466	£0.05
Vesting conditions	Continuous employment since grant date to exercise date (4 years)	
Settlement	Equity shares	Equity shares

During the year 23,831 share options were exercised (2012: nil). The above information applies to options outstanding at the end of the year.

## Notes to the financial statements for the year ended 31 December 2013 (continued)

### 13 Called up share capital

	2013 £	2012 £
<b>Authorised:</b>		
200,000 ordinary shares of £1 each (2012: 200,000)	<u>200,000</u>	<u>200,000</u>
<b>Allotted and fully paid:</b>		
199,824 ordinary shares of £1 each (2012: 199,824)	<u>199,824</u>	<u>199,824</u>

### 14 Reserves

	Share Premium Account £	Capital Contribution £	Profit and Loss Account £
At 1 January 2013	5,815,640	11,093,020	(13,630,491)
Capital contribution from ultimate parent undertaking	-	-	-
Loss for the financial year	-	-	(2,582,441)
<b>At 31 December 2013</b>	<u>5,815,640</u>	<u>11,093,020</u>	<u>(16,212,932)</u>

### 15 Reconciliation of movements in shareholders' funds

	2013 £	2012 £
(Loss)/profit for the financial year	<b>(2,582,441)</b>	32,485
Capital contribution from ultimate parent undertaking	-	3,000,000
Opening shareholders' funds	<b>3,477,993</b>	445,508
Closing shareholders' funds	<u>895,552</u>	<u>3,477,993</u>



## Notes to the financial statements for the year ended 31 December 2013 (continued)

### 16 Financial commitments

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

	2013	2012
	£	£
<b>Land and buildings</b>		
Under 1 year	-	-
Between 2 and 5 years	208,242	96,000
<b>Total</b>	<u>208,242</u>	<u>96,000</u>

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

	2013	2012
	£	£
<b>Purchase agreements</b>		
Under 1 year	-	-
Between 2 and 5 years	249,600	-
<b>Total</b>	<u>249,600</u>	<u>-</u>

### 17 Related party transactions

At 31 December 2013 £nil (2012: £236,223), against which there is a provision of £nil (2012: £236,223), is due from a fellow group company, Zopa Incorporated.

At 31 December 2013 £117,857 is due to the parent company, Zopa Holdings Inc. (2012: £484,028).

During the year a capital contribution of £nil (2012: £3,000,000) 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 2013 and is therefore regarded as the immediate and ultimate parent undertaking.

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

### 19 Subsequent events

Subsequent to the year end a capital contribution of £14,750,000 was received from the parent company, Zopa Holdings Inc.