

Registered number: 05197592

Zopa Limited

**Annual Report and Financial Statements
for the year ended 31 December 2017**

Zopa Limited

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Directors and professional advisers

Directors

Giles Andrews
Jaidev Janardana

Secretaries

Giles Andrews
Olivia Broderick

Registered office

1st Floor Cottons Centre
Cottons Lane
London
England
SE1 2QG

Bankers

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

Independent auditors

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

Strategic report for the year ended 31 December 2017

Principal activities

The principal activity of Zopa Limited ("the Company") is 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.

Business review

The results of the Company for the year show an increase in revenue of 40% to £46.5m (2016: £33.2m), and a profit after tax of £1.5m (2016: loss of £5.8m). The growth in revenue reflects an increase in loan origination of 43% to £1bn (2016: £0.7bn), and the generation of inter-group revenue.

Strong growth was experienced over the year, and in the first quarter of 2017 the Company became the first peer-to-peer platform to pass the £2 billion milestone in total cumulative originations. In November 2017 it enjoyed a record month, originating £100 million in loans. These milestones were achieved despite the tightening of its credit criteria in response to market conditions and its commitment to long-term, sustainable growth.

The Company also continued to expand its product range. In May 2017, it was granted full FCA authorisation as a peer-to-peer platform, and following this launched its Innovative Finance ISA product in June. The Company also launched a hire purchase product for used cars, with a view to giving more choice and transparency to borrowers.

In 2017, the Company made further investment in its systems and technology to maintain its competitive advantage. This included continued investment in back-office infrastructure and evolving and enhancing its proprietary IT platform to enable future growth through independent micro-services architecture, and to ensure a more secure service.

Throughout 2017, the Company continued to grow its human resources; its risk and finance functions in particular. The Company's overall headcount increased to 312 at year-end compared to 204 at the end of 2016: a growth rate of 53%.

Awards

The Company'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. The Company 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 Company was recognised as a Superbrand for the first time in 2017. The Company 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.

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

Plans for the future

The Company'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.

Investment in infrastructure will continue in 2018, with a focus on automation to ensure an increasingly seamless experience for customers.

The Company 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.

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 Company benefits from this trend owing to its strong digital offering and seamless loan application process.

As noted in last year's report, the Company 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, the Company tightened its acceptance criteria in 2017 and continues to actively manage the levels of credit risk, maintaining a prudent view of risks.

Principal risks and uncertainties

The principal risks and uncertainties that the Company faces include, operational risk, financial crime, service disruption and conduct risk.

The Company 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 where required; and
- maintaining close engagement in public policy formulation with respect to the finance sector.

**Strategic report for the year ended 31 December 2017
(continued)**

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

On behalf of the Board,

A handwritten signature in black ink, appearing to read 'Jaidev Janardana', is written over a large, light-colored oval shape that serves as a background for the signature.

Jaidev Janardana
Director

23rd April 2018

Directors' report for the year ended 31 December 2017

The Directors present the annual report and the audited financial statements of the Company for the year 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 year (2016: £nil).

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 (resigned 22nd January 2018)

Jaidev Janardana

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.

Employee involvement

Employee engagement is one of the Company'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. Zopa's compensation structure is tied to the Company's performance, ensuring that the progress of the Company 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.

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.

**Directors' report for the year ended 31 December 2017
(continued)****Statement of Directors' responsibilities in respect of the financial statements**

The Directors are responsible for preparing the Annual 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 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 Company and of the profit or loss of the 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, 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 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.

The Directors 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.

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 a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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 a Director 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' report for the year ended 31 December 2017
(continued)**

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
23rd April 2018

Independent auditors' report to the members of Zopa Limited

Report on the audit of the financial statements

Opinion

In our opinion, Zopa Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with 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 Annual Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2017; the statement of comprehensive income, the statement of cash flows, the statement of changes in equity 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 Company 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 Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

Independent auditors' report to the members of Zopa 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 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 5, 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 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.



Leighton Thomas (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
23rd April 2018

Statement of comprehensive income for the year ended 31 December 2017

	Note	2017 £	2016 £
Revenue	4	46,488,357	33,220,454
Cost of sales		(10,331,305)	(10,894,377)
Gross profit		36,157,052	22,326,077
Distribution expenses		(10,745,986)	(7,784,827)
Administrative expenses		(25,315,168)	(20,408,253)
Operating profit/(loss)	6	95,898	(5,867,003)
Other interest receivable and similar income	5	15,594	50,455
Profit/(loss) before taxation		111,492	(5,816,548)
Taxation	9	1,342,678	-
Profit/(loss) for the year		1,454,170	(5,816,548)
Other comprehensive income		-	-
Total comprehensive income/ (expense)		1,454,170	(5,816,548)

The notes on pages 15-33 form part of these financial statements.

Statement of financial position as at 31 December 2017

	Note	2017 £	2016 £
Non-current assets			
Property, plant and equipment	10	1,634,515	1,358,905
Intangible assets	11	3,466,554	1,218,021
Investment in subsidiary		1	1
Loans and other receivables	12	2,548,733	1,360,071
		<u>7,649,803</u>	<u>3,936,998</u>
Current assets			
Trade, loans and other receivables	12	8,953,930	2,161,472
Current tax asset		1,111,487	-
Cash and cash equivalents		7,937,652	9,801,290
		<u>18,003,069</u>	<u>11,962,762</u>
Total assets		<u>25,652,872</u>	<u>15,899,760</u>
Current liabilities			
Trade and other payables	13	(11,454,337)	(4,203,576)
Net current assets		6,548,732	7,759,186
Net assets		<u>14,198,535</u>	<u>11,696,184</u>
Equity			
Share capital	16	199,824	199,824
Share premium		5,815,640	5,815,640
Other reserves	17	43,715,861	42,667,680
Accumulated losses		(35,532,790)	(36,986,960)
Total equity		<u>14,198,535</u>	<u>11,696,184</u>

The notes on pages 15-33 form part of these financial statements.

The financial statements of Zopa Limited (Registered number 05197592) on pages 11-33 were approved by the Directors on 23rd April 2018 and were signed on its behalf by:



Jaidev Janardana
Director
23rd April 2018

Statement of changes in equity for the year ended 31 December 2017

	Share capital	Share premium	Other reserves	Accumulated losses	Total Equity
	£	£	£	£	£
Balance as at 1 January 2016	199,824	5,815,640	38,752,070	(31,170,412)	13,597,122
Loss for the year	-	-	-	(5,816,548)	(5,816,548)
Total comprehensive expense	-	-	-	(5,816,548)	(5,816,548)
Transactions with owners					
Capital contribution	-	-	2,000,000	-	2,000,000
Share based payment charge	-	-	1,915,610	-	1,915,610
Total transactions with owners	-	-	3,915,610	-	3,915,610
Balance as at 31 December 2016 and 1 January 2017	199,824	5,815,640	42,667,680	(36,986,960)	11,696,184
Profit for the year	-	-	-	1,454,170	1,454,170
Total comprehensive income	-	-	-	1,454,170	1,454,170
Transactions with owners					
Share based payment charge	-	-	1,048,181	-	1,048,181
Total transactions with owners	-	-	1,048,181	-	1,048,181
Balance as at 31 December 2017	199,824	5,815,640	43,715,861	(35,532,790)	14,198,535

Other reserves consist of a capital contribution reserve and share based payment reserve. Please see note 17 for details. The notes on pages 15-33 form part of these financial statements.

Statement of cash flows for the year ended 31 December 2017

	Note	2017 £	2016 £
Cash flows from operating activities			
Cash generated from/(used in) operations	15	3,406,511	(3,188,977)
Purchase of loans and receivables		(1,659,099)	-
Repayment of loans and receivables		318,858	-
Income taxes received		231,191	-
Net cash generated from/(used in) operating activities		2,297,461	(3,188,977)
Cash flows from investing activities			
Additions to property, plant and equipment	10	(1,049,460)	(1,261,914)
Additions to intangible assets	11	(3,127,233)	(1,357,613)
Interest received		15,594	50,455
Net cash used in investing activities		(4,161,099)	(2,569,072)
Cash generated from financing activities			
Capital contribution from Parent		-	2,000,000
Net decrease in cash and cash equivalents		(1,863,638)	(3,758,049)
Cash and cash equivalents at 1 January		9,801,290	13,559,339
Cash and cash equivalents at 31 December		7,937,652	9,801,290

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

The notes on pages 15-33 form part of these financial statements.

Notes to the financial statements for the year 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. The address of the registered office is detailed on page 1, and the principal activities of the Company are 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 contain information about Zopa Limited as an individual Company and do not contain consolidated financial information as the parent of a group. The Company is exempt under sections 402 and 405 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as its only subsidiary undertaking is not material. Further, under Section 401 of the Companies Act 2006, Zopa Limited is exempt from preparing consolidated financial statements as consolidated financial statements of all group entities are prepared by the ultimate parent, Zopa Group Limited.

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.

Disclosure

Prior year comparatives have been restated to conform to the current year presentation. The only changes are the inclusion of additional sub-categories of disclosure as management are of the view that this further detail will provide greater clarity to the users of the financial statements. The following financial statement lines were impacted:

Statement of Financial Position

- Loans and other receivables
- Trade, loans and other receivables

New and amended standards adopted by the Company

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.

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

2 Principal accounting policies (continued)

New standards, amendments and interpretations issued but not effective until 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.

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 Company 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 Company.

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 Company recognises 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 Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

The Company's main types of revenue arise from the principal activity 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. The Company also generates Servicing fees for services provided to other Zopa group companies, and from interest on loans.

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

2 Principal accounting policies (continued)

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.

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 years
Fixtures and fittings	3 years

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.

Notes to the financial statements for the year 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, 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 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 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 prior to the end of financial year 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 year 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 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 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's 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 year 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 Company 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 Company 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 year ended 31 December 2017 (continued)

2 Principal accounting policies (continued)

Share-based payments

Equity-settled share-based compensation benefits are provided to employees 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 Company 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 21 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 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 Company. Future economic benefits are dependent on management estimates being met.

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

3 Management of financial risks

In the course of its business, the Company 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 Company's overall risk management programme seeks to minimise potential adverse effects on its financial performance.

Foreign exchange risk

Foreign exchange risk arises from the Company 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 Company 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:

	2017	2016
	£	£
Financial assets available on demand and less than 1 month		
Trade debtors	189,347	99,105
Cash and cash equivalents	<u>7,937,652</u>	<u>9,801,290</u>
	<u>8,126,999</u>	<u>9,900,395</u>
Current liabilities		
Trade creditors	1,166,220	1,525,487
Other creditors	338,231	246,215
Accruals and deferred income	<u>2,967,389</u>	<u>2,061,539</u>
	<u>4,471,840</u>	<u>3,833,241</u>

Credit Risk

Credit risk arises from loans and other receivables, trade receivables and cash and cash equivalents. The Company 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.

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 platform with no transactional bad debt risk. The risk relates to the small amounts invoiced with the outstanding balance at year end displayed in trade receivables.

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

3 Management of financial risks (continued)

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 Company has no price risk with respect to financial instruments as it does not hold marketable securities. It has no external borrowings, so it 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 and to meet the FCA regulatory capital requirements. 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 (2017: £14,198,535, 2016: £11,696,184). The Company has no debt.

4 Revenue

Revenue and profit on ordinary activities before taxation derive materially from the principal activity and arise wholly in the United Kingdom.

5 Other interest receivable and similar income

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

6 Operating profit /(loss)

	2017	2016
	£	£
Services provided by the company's auditors:		
Fees payable for audit services	52,344	44,160
Fees payable for audit related assurance services	77,952	46,800
Fees payable for taxation services	5,025	13,380
Fees payable for assurance services	104,000	80,428
Amortisation of intangible assets	878,700	139,592
Depreciation of owned property, plant and equipment	773,850	574,229
Operating lease payments	<u>1,461,171</u>	<u>1,425,860</u>

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

7 Directors' emoluments

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

	2017	2016
	£	£
Short-term employee benefits	567,235	618,332
Post-employment benefits	7,283	4,276
Share-based payment benefits	307,814	787,752
	<u>882,331</u>	<u>1,410,360</u>
Highest paid Director	2017	2016
	£	£
Short-term employee benefits	412,322	386,871
Post-employment benefits	4,552	-
Share-based payment benefits	263,880	742,699
	<u>680,754</u>	<u>1,129,570</u>

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

8 Employee information

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

By activity:	2017	2016
	Number	Number
Selling and distribution	80	62
Administration	178	126
	<u>258</u>	<u>188</u>

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

	2017	2016
	£	£
Staff costs		
Wages and salaries	13,325,310	8,889,647
Social security costs	1,466,545	965,617
Pension costs	179,319	43,760
Share based payments	1,048,181	1,915,610
	<u>16,019,355</u>	<u>11,814,634</u>

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

9 Taxation

	2017 £	2016 £
UK taxation		
Other taxes - R&D credit	(1,342,678)	-
Total tax credit	<u>(1,342,678)</u>	<u>-</u>
	2017 £	2016 £
Profit/(loss) before taxation	<u>111,492</u>	<u>(5,816,548)</u>
Profit/(loss) before taxation multiplied by the UK standard corporation tax of 19.25% (2016: 20.00%)	21,462	(1,163,310)
Expenses not deductible for tax purposes	77,019	8,653
Losses for which no deferred tax asset is recognised	-	1,154,657
Utilisation of brought forward losses	(98,481)	-
R&D tax credit	<u>1,342,678</u>	<u>-</u>
Total tax credit	<u>1,342,678</u>	<u>-</u>
	2017 £	2016 £
Deferred tax asset	Unrecognised	Unrecognised
Origination and reversal of temporary differences	57,779	227,853
Tax losses available in future years	<u>3,890,022</u>	<u>5,361,297</u>
Total	<u>3,947,801</u>	<u>5,589,150</u>

The deferred tax assets are not recognised as of 31 December 2017 and will be recognised at such time as it becomes likely that 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 reflected in these statements.

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

10 Property, plant and equipment

	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)
	<hr/>	<hr/>	<hr/>
At 31 December 2016	1,455,979	819,895	2,275,874
Additions	929,594	119,866	1,049,460
Disposals	(96,191)	-	(96,191)
	<hr/>	<hr/>	<hr/>
At 31 December 2017	2,289,382	939,761	3,229,143
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)
	<hr/>	<hr/>	<hr/>
At 31 December 2016	739,477	177,492	916,969
Charge for the financial year	498,283	275,567	773,850
Charge for disposals	(96,191)	-	(96,191)
	<hr/>	<hr/>	<hr/>
At 31 December 2017	1,141,569	453,059	1,594,628
Net book value			
31 December 2017	1,147,813	486,702	1,634,515
31 December 2016	716,502	642,403	1,358,905

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

11 Intangible Assets

	Purchased	Internally generated	Total
	£	£	£
Cost			
At 1 January 2016	-	-	-
Additions	<u>184,815</u>	<u>1,172,798</u>	<u>1,357,613</u>
At 31 December 2016	184,815	1,172,798	1,357,613
Additions	<u>460,966</u>	<u>2,666,267</u>	<u>3,127,233</u>
At 31 December 2017	645,781	3,839,065	4,484,846
Accumulated amortisation			
At 1 January 2016	-	-	-
Charge for the financial year	<u>18,120</u>	<u>121,472</u>	<u>139,592</u>
At 31 December 2016	18,120	121,472	139,592
Charge for the financial year	<u>163,406</u>	<u>715,294</u>	<u>878,700</u>
At 31 December 2017	181,526	836,766	1,018,292
Net book value			
31 December 2017	<u>464,255</u>	<u>3,002,299</u>	<u>3,466,554</u>
31 December 2016	<u>166,695</u>	<u>1,051,326</u>	<u>1,218,021</u>

Intangible assets relate to software and databases both purchased and internally generated. Amortisation is recognised within administrative expenses in the Statement of Comprehensive Income.

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

12 Trade, loans and other receivables

Trade, loans and other receivables (non-current)	2017	2016
	£	£
Rental deposit	1,249,974	1,249,974
Loans - non-current	1,168,887	20,000
Non-current prepayments	129,872	90,097
	<u>2,548,733</u>	<u>1,360,071</u>

Loans materially relate to non-current non-derivative financial assets. The disclosed value also represents their carrying value.

Trade, loans and other receivables (current)	2017	2016
	£	£
Trade debtors	189,347	99,105
Amounts due from group undertakings	5,589,090	301,322
Other debtors	813,818	677,715
Loans - current	65,782	44,958
Current prepayments	1,601,061	603,857
Accrued income	694,832	434,515
	<u>8,953,930</u>	<u>2,161,472</u>

Loans relate to the outstanding season ticket loans to employees and consumer loans with a maturity of less than 12 months. Other debtors principally relates to other deposits and rental deposits due back within 12 months. 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.

13 Trade and other payables

	2017	2016
	£	£
Trade creditors	1,166,220	1,525,487
Amounts owed to group undertakings	6,000,670	1
Other taxation and social security	981,827	370,334
Other creditors	338,231	246,215
Accruals and deferred income	2,967,389	2,061,539
	<u>11,454,337</u>	<u>4,203,576</u>

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

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

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

14 Financial instruments

Loans and receivables, Trade and other receivables and Cash and cash equivalents are considered to be the Company's financial assets. Trade and other payables are considered to be the Company'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.

15 Cash generated from/ (used in) operations

	2017	2016
	£	£
Profit/(loss) before taxation	111,492	(5,816,548)
Adjustments for:		
Depreciation of property, plant and equipment	773,850	574,229
Interest received	(15,594)	(50,455)
Share based payments	1,048,181	1,915,610
Amortisation of intangible assets	878,700	139,592
Provision for bad debt	151,579	-
Changes in working capital:		
Movement in trade and other receivables	(6,792,458)	(2,261,543)
Movement in trade and other payables	7,250,761	2,310,138
Cash generated from/ (used in) operations	<u>3,406,511</u>	<u>(3,188,977)</u>

16 Share capital

	2017	2016
	£	£
Authorised:		
200,000 ordinary shares of £1 each (2016: 200,000)	<u>200,000</u>	<u>200,000</u>
Allotted and fully paid:		
199,824 ordinary shares of £1 each (2016: 199,824)	<u>199,824</u>	<u>199,824</u>

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

17 Other reserves

	Capital Contribution Reserve £	Share Based Payment Reserve £	Total Reserves £
Balance as at 1 January 2016	36,693,767	2,058,303	38,752,070
Transactions with owners			
Capital contribution	2,000,000	-	2,000,000
Share based payment charge	-	1,915,610	1,915,610
Total transactions with owners	2,000,000	1,915,610	3,915,610
Balance as at 31 December 2016 and 1 January 2017	38,693,767	3,973,913	42,667,680
Transactions with owners			
Share based payment charge	-	1,048,181	1,048,181
Total transactions with owners	-	1,048,181	1,048,181
Balance as at 31 December 2017	38,693,767	5,022,094	43,715,861

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

18 Financial commitments

Leases

The Company had total commitments excluding VAT under non-cancellable operating leases, payable as follows:

	2017	2016
	£	£
Land and buildings		
Under 1 year	1,388,860	694,430
Between 1 and 5 years	5,555,440	5,555,440
Over 5 years	1,187,824	2,576,684
Total	<u>8,132,124</u>	<u>8,826,554</u>

Purchase commitments

The Company had total minimum spend commitments excluding VAT, payable as follows:

	2017	2016
	£	£
Purchase agreements		
Under 1 year	2,552,099	1,352,403
Between 1 and 5 years	1,990,956	2,054,768
Total	<u>4,543,055</u>	<u>3,407,171</u>

19 Company related party transactions

At 31 December 2017 £1 is due to the subsidiary Company, P2PS Cars Limited (2016: £1) and £6,000,669 is due to the ultimate parent Company, Zopa Group Limited (2016: £nil).

At 31 December 2017 £3,880,115 is due from the group Company, Zopa Financial Services Limited (2016: £nil) and £1,708,975 is due from the parent Company, Zopa Holdings Inc. (2016: £301,322).

During the year a capital contribution of £nil (2016: £2,000,000) was received from the parent Company, Zopa Holdings Inc.

During the year revenue of £66,552 was generated from charges made to Zopa Group Limited (2016: £nil) and £2,441,267 from charges made to Zopa Financial Services Limited (2016: £nil). Charged administrative costs include £69,007 from Zopa Financial Services Limited (2016: £nil).

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

20 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 2017 and is therefore the immediate parent undertaking. In May 2017 Zopa Group Limited (UK Company number 10624955) 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. Zopa Group Limited is the smallest and largest group of undertakings for which consolidated financial statements are prepared and are available from Companies House.

The only subsidiary of Zopa Limited is P2PS Cars Limited, registered address: 1st Floor Cottons Centre, 47-49 Tooley Street, London, England, SE1 2QG. P2PS Cars Limited is a UK Company 100% owned by Zopa Limited.

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

21 Share based payment arrangements

The Company 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. The entity receives 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 on the equity basis each reporting period, based on the Company's estimate of shares that will eventually vest and the value of the options as at the date of grant.

	Options	Weighted Average Exercise Price
Outstanding options at 1 January 2017	2,483,440	1.8067
Granted during 2017	677,446	4.3774
Exercised during 2017	(25,708)	1.1312
Lapsed during 2017	(130,816)	2.1975
Outstanding options at 31 December 2017	<u>3,004,362</u>	<u>2.3751</u>
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 year.

The share-based payment charge in the year was £1,048,181 (2016: £1,915,610).

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

22 Subsequent events

On 20th March 2018, the Company entered into a new five-year lease in respect of additional office space located on the ground floor of the Cottons Centre.