

# ZOPA



## **Zopa Group Limited**

Annual Report and Consolidated  
Financial Statements for the year  
ended 31 December 2020



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# Company information

## Directors

Gordon McCallum  
Giles Andrews  
Nicholas Aspinall  
Christine Farnish  
Richard Goulding  
Peter Herbert  
Jaidev Janardana  
Christopher Jones  
Michael Woodburn  
Jeppe Zink

## Secretary

Victoria Matthews

## Registered office

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47-49 Tooley Street  
London  
England  
SE1 2QG

## Registered number

10624955

## Bankers

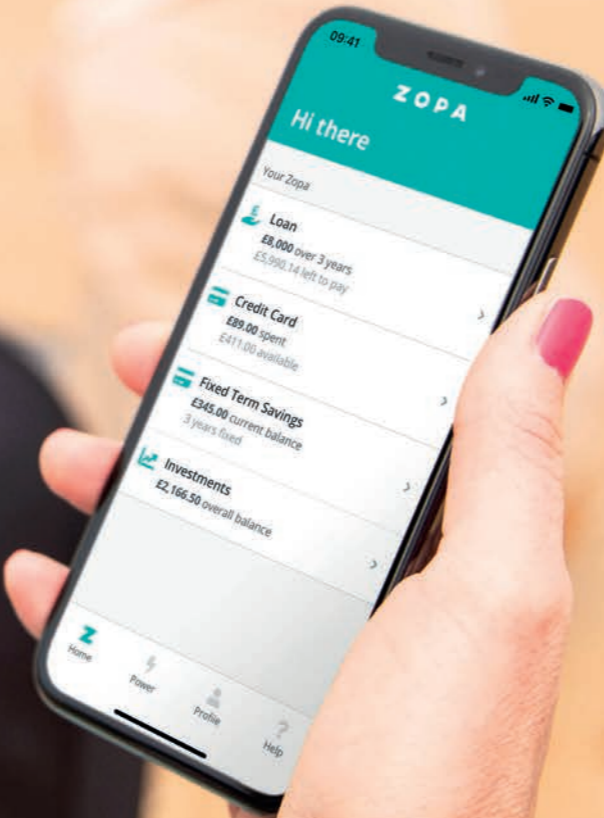
National Westminster Bank  
1 Princes Street  
London  
EC2R 8BP

## Independent auditors

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
7 More London Riverside  
London  
SE1 2RT



## Our mission



## Why we are here – Zopa's purpose

At Zopa, we want to improve the financial lives of the people who make the UK economy tick. Our customers want access to lending products which are great value and straightforward, they want to continually improve their financial health and build savings to take them to the next part of their financial journey. Zopa delivers all of this and more – making it the best place for their money.

Launched in 2005, we uniquely combine experience with the agile, innovative approach of a fintech. We have 15 years of experience as a peer-to-peer (P2P) digital lender and have disbursed over £5bn in loans. From the data we have collated, to the advanced technology we use and customer insight that is at the heart of everything we do, this experience as a peer-to-peer lender has been key to the success of Zopa Bank's first year.

## Strategy 2020

Heading into 2020 Zopa had four strategic objectives:

- Gain our full banking licence
- Launch and grow products that customers love
- Evolve our operating model and risk environment to deliver responsible and sustainable growth
- Continue to retain and attract great talent to our unique Zopa culture

These objectives remained largely consistent despite COVID-19, the notable difference being that our growth focus was tempered by an uncertain environment and the need for an increased focus on protecting and helping existing customers who were impacted by the pandemic.

# Key highlights: 2020



- Originated £633m in new balances on unsecured personal loans and secured auto finance to new and existing customers. This was a reduction from £1.1bn in 2019 reflecting a tightening of credit policy and underwriting criteria in the face of the UK lockdowns, furlough program and overall uncertain economic outlook. Lending volumes recovered each month through H2 2020, enabling us to build the bank balance sheet, whilst still matching loans on the P2P platform, especially to retail investors. Zopa Bank funded £177m of the new lending with P2P investors funding £456m.



- Launched our credit card and saw more than £5m in transactions in 2020 with minimal marketing spend, showing the strong appeal of the product.



- Customer numbers up 27% in a year. By September 2020, we were adding more monthly customers than pre-pandemic with revenue per customer remaining strong at £138 in December 2020.



- Launched our fixed term savings product which attracted over 10,000 customers and £177.8m of deposits.



- Total net loans on balance sheet grew from £16.5m at year end of December 2019 to £225.4m at 31st December 2020, reflecting the removal of restrictions on the bank licence.



- Group revenues reduced from £47m to £29.8m. The fall in revenue was due to a combination of COVID-19 impacts on overall volumes and a move from charging upfront fees on loans, therefore reducing fee and commission income from £46m to £23m.



- Outstanding levels of customer Net Promoter Score (NPS) – 89.8 (average for UPL in 2020).



10 Award wins including:

- **Best British Bank Awards 2020:** Winner of Best Personal Loans Provider (4th consecutive year).
- **Moneyfacts 2020** Winner of Personal Loan Provider of the year, Highly Commended: Best Customer Service.



- Employee engagement of 60 out of 100 and a Glassdoor score of 4.1 out of 5.



- We responded quickly to maintain our high levels of service throughout the pandemic, with an average Customer Service Score of 8.76/10 through 2020, and average wait times of less than 5mins for all but 15 days.



- Maintained our long track record of delivering positive returns for P2P investors. Average returns remained at 4% for Zopa Core and 5.1% for Zopa Plus in 2020 despite COVID-19. Due to our proactive and agile approach to managing credit risk ahead of and during the pandemic, the platform remained fully functional, actively lending throughout.

# Our business and activities

Zopa Group Limited is the holding company for the following subsidiaries providing customers with simple and fair financial products:

- Zopa Bank Limited: became fully licenced in 2020 launching products including personal loans, secured car finance, FSCS guaranteed fixed term savings accounts and an innovative credit card.
- Zopa Limited: an online P2P lending platform allowing individuals in the United Kingdom to access unsecured personal loans, facilitated by funds provided by both individuals and institutions.

The Zopa Group has helped more than half a million people since 2005 to get the most out of their money through our simple and fair products.

The principal activities of the overall Group are to give customers access to simple, fair financial products that are easy to manage and offer customers more choice, therefore acquiring and servicing lending and savings customers at scale, to build a large and profitable business.

Following the bank's launch all shared services are provided by Zopa Bank which owns the Group's technology assets and employs the majority of the workforce.

An Intra-Group Outsourcing Agreement (IGA) governs the provision of services by Zopa Bank to Zopa Limited. Zopa Limited continues to maintain operational control of P2P-specific products as well as its own governance. The change in operating model of Zopa Limited was made to ensure that shared services and processes would only need to be undertaken in a single Group entity and enables the Group to benefit from economies of scale and the processes and controls established in Zopa Bank Limited.



“Great company everything was quick and easy with excellent rates. Highly recommend.”

- TrustPilot customer quote, 10th October 2020



# Our customers in 2020

2020 was a pivotal year for Zopa. The combination of the global pandemic and the culmination of the Brexit process brought a high level of uncertainty. Against this backdrop, Zopa successfully met the needs of its existing customers, launched its bank, and delivered on strong growth across both new and existing products.

### Our customers through COVID-19:

Zopa was able to move quickly to meet the needs of its customers.

As a lender, our first priority was to assist customers who were put in a more vulnerable position due to the pandemic. We saw three times as much customer

contact compared to normal volumes in the early days of the pandemic, as customers sought to pause payments on their loans. We were able to continue to deliver a high level of service to borrowers, reflected in our high and sustained levels of Net Promoter Score (NPS) (89.9% amongst loan customers), and the fact that we remained within our service level targets for all but 15 days.

As a peer-to-peer investment platform, we were unique in the market in remaining open to our investors throughout the pandemic whilst other providers reduced access to retail investors or ceased operating.

### Key factors were:

- 1

Rapid implementation of new forbearance measures for customers in line with the FCA guidance.
- 2

Agile design and implementation of new digital journeys for customers to access forbearance options quickly. This ensured that customers were spared the anxiety of waiting for decisions, and that our specialist customer payments team could focus on customers with additional difficulties or more complex needs. Our success in this area was reflected by the fact that, during the height of pandemic in 2020 (1 March – 12 June), 96% of Zopa’s Trustpilot reviews were either 4 or 5 star.
- 3

The ongoing extension of our self-serve journeys across a number of channels, the most important of which are chat and app.
- 4

We also worked closely with leading debt charity, StepChange, integrating the charity’s 60 second debt checker and benefit calculator into our app, offering further help to customers. Our work in this area was commended by the Financial Conduct Authority.
- 5

Our agile approach to tightening our lending criteria allowed us to continue to disburse loans throughout the pandemic. This approach enabled us to become a vital source of credit for many customers at a time when supply in the market was low. During 2020, we helped over 90,000 people gain access to a loan, lending out over £633m. Our data-led and fast evolving approach meant that we could ensure that lending was affordable for borrowers in a rapidly changing environment and that the profile of these customers would provide positive returns to our investors. Zopa Bank Limited funded £177m of the total lending with peer-to-peer investors funding £456m.

# Our customers in 2020

### Key achievements included:

- 1

We have continued to deliver positive returns to our investors throughout the pandemic – with average returns remaining at 4% for Zopa Core and 5.1% for Zopa Plus. Our ability to provide positive returns, even through economic downturns, reinforces the strength of our lending approach.
- 2

Our secondary sale market remained open, allowing investors who wanted to withdraw their investments to do so in a timely fashion.
- 3

We were able to communicate regularly and proactively to our investors in order to ensure they were informed and up to date regarding their investments.
- 4

We were able to rapidly iterate our credit criteria in order to continue lending to low risk customers, allowing our investors to continue to invest or reinvest. We have seen that loans originated under our new lending criteria were 72% less likely to apply for COVID-19 related forbearance, showing the success of our approach in identifying affordability in the new environment.



# Our Bank

In June 2020, despite the economic disruption, Zopa Group closed its largest fundraise to date (£140m) and the Bank gained its full bank licence. The building of our Bank has been a major investment of Zopa’s resource over the past 2+ years. Therefore, the granting of our licence is an inflection point for the business, allowing us to pursue the next phase of our strategy and growth. The first half year performance of the Bank has been an enormously positive start to that journey, with the smooth launch of two new products and strong performance on our existing product offering.

Our two new products, credit card and fixed term savings were more relevant than ever as consumers looked for good value credit and guaranteed savings interest through the pandemic.

By the end of 2020, we had taken over £177m in fixed term savings and reached top table status for these accounts four times between August and December. Over 18,000 customers opened credit card accounts and spent more than £5m in transactions. Minimal marketing budget was spent on these products, highlighting the organic appeal of our offering. This also proves our ability to innovate and launch multiple products quickly, and we are currently one of the only digital challenger banks to provide products spanning consumer borrowing, spending and saving needs.

Since the end of 2020 the Bank has continued to demonstrate strong growth in all its products and to further grow its balance sheet.

# Our key priorities

Our key priorities for 2021 will be the continued growth of our lending and savings products to support our mission to become the best place for UK customers’ money and to build a profitable and sustainable neobank. This will mean continuing to deliver great value products, in a way that is simple to use and understand for customers.

We will focus on maintaining exceptional levels of customer service, supported by ongoing investment in technology and infrastructure and further process improvement and automation.

2021 product developments will include the launch of an easy access savings product to help customers save and therefore improve their financial position and an extension to our credit card proposition.

We plan to prioritise on balance sheet lending funded by customer deposits as the primary driver of the Group’s growth. To further support this Zopa Group closed a follow on fund raise of £20m in March 2021. We expect further significant customer and balance sheet growth in 2021 and that this will deliver a strong path towards profitability. To help achieve this goal we will also make further investments in the Zopa brand.

As growth will be driven by on balance sheet lending the Board are considering the strategic direction of retail P2P operations.



**“Quick, easy and transparent loan company. Quick and easy application and transfer of money.”**

- TrustPilot customer quote, 10th October 2020

# Our products



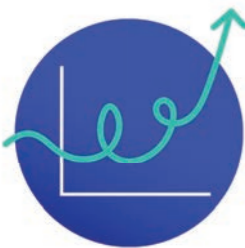
## Unsecured personal loans

- Decision in 3 minutes with no impact to credit score
- Real rates - the rate shown is the rate offered
- No arrangement or early repayment fees
- Over £5bn in disbursements since 2005



## Car finance

- Direct to customer proposition with unique transparent pricing journey
- Both the car and dealer are checked for the customer, ensuring that they are credible
- Integrated with key dealers and brokers



## P2P

- Platform remained fully operational throughout the pandemic
- Consistently provided positive returns to investor community since 2005. The average returns for investors in 2020 are Zopa Core 4.0% and Zopa Plus 5.1%
- Total interest returned to investors since 2005 is £474m (across both institutional & retail)



## Credit cards

- Real time balance updates and spending breakdown
- Unique Safety Net feature, which allows a customer to set aside some of their available credit
- No over limit fees or fees to use abroad



## Fixed term savings

- Open online in 7 minutes, with FSCS protection
- Topped rate tables four times in 2020 – offering UK savers competitive rates at an all-time savings low
- Over £177m in deposits by EOY 2020



## Borrowing power

- Unique tool tying together credit score actions and a customer's Zopa eligibility and pricing
- 30% of customers have improved their score since inception
- 500% increase in customers checking their credit score and credit health in Borrowing Power from beginning of 2020 to year end

# Deep dive: Unsecured personal loans

We have a deep-rooted understanding of lending developed in the personal loans market. Since 2005, we have lent out over £5bn in personal loans and are one of the biggest digital lenders in Europe. Our understanding of risk and use of data, combined with technology and customer insight, makes us unique.

For our unsecured personal loans, we lend to low-risk borrowers via our website, app, and through partnerships and aggregator platforms in the UK. We provide loans from £1,000 to £25,000 over one to five years to borrowers who fit our strict lending criteria. Customers come to us for loans that help them to make significant life changes, such as home improvements, buying a car, funding a wedding or consolidating debts. Our lending criteria and use of data enables us to identify if a customer is right for a Zopa loan. We have delivered reliable returns to our investment customers for 15 years – throughout both the 2008 financial crisis and the COVID-19 pandemic. We are now originating the same quality assets on our own bank balance sheet.

Our customers come to us as we’re able to offer competitive rates that are underpinned by a product which is simple, fair and easy to use. To achieve this, we have, over time, challenged many of the category norms.

We pioneered real rates for our customers – allowing customers to see if they will be approved and the APR they will be offered – before submitting a full application. This only leaves a soft search on a customer’s credit file, making it easier for them to shop around and find their best available loan deal. We have offered this service since 2016 and, having seen the positive impact it has had on our customer’s financial situations, we have now integrated this approach to our credit card offering.

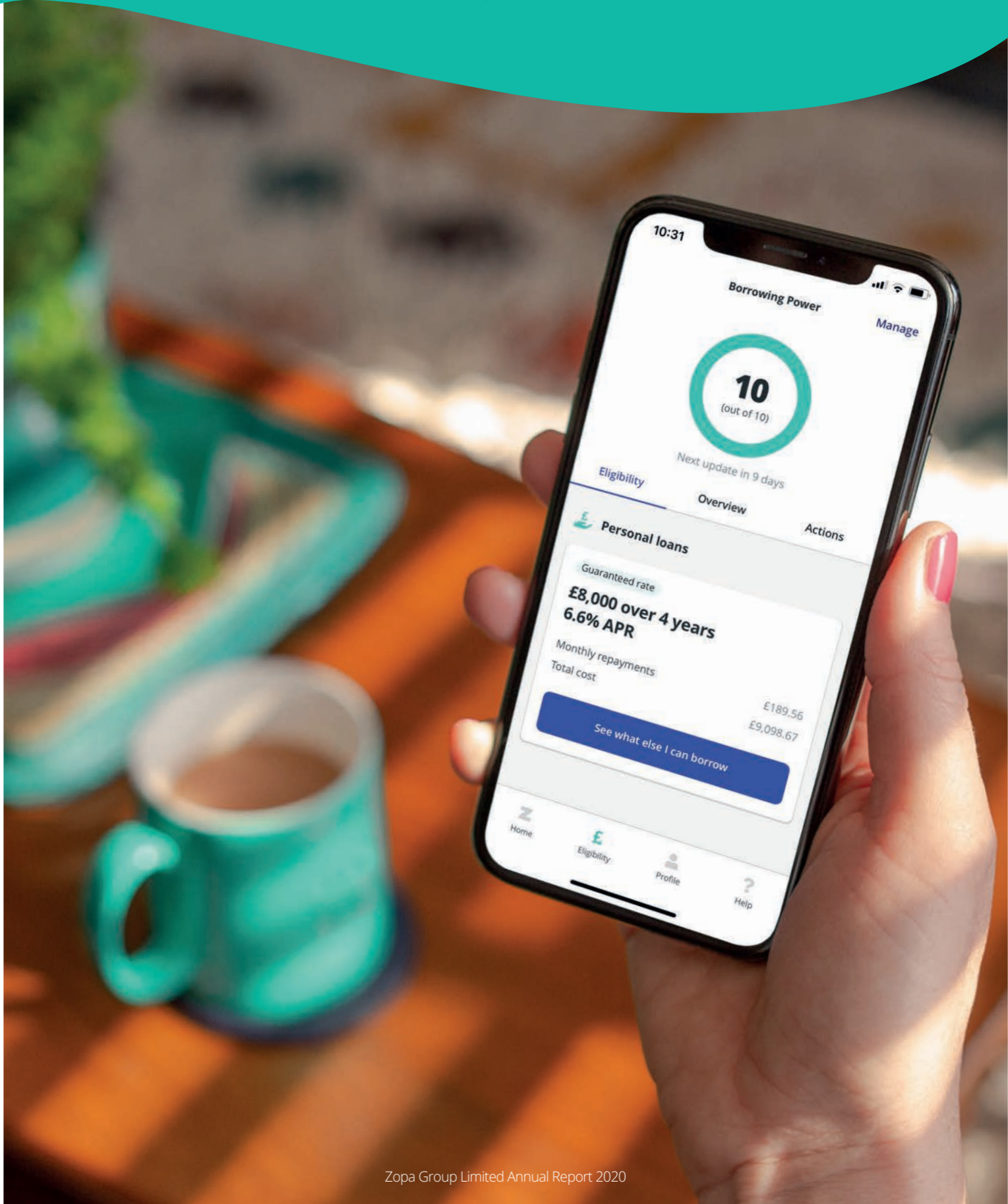
Lengthy applications and slow decision times are another pain point for customers. Our applications take as little as three minutes and the vast majority are automatically decisioned. Once approved, customers receive their loan within 24 hours, with 90% receiving their loan within two hours.

In 2020 as part of the Bank launch we removed upfront fees at loan acquisition, replacing this with a higher level of loan servicing fees. We have long taken a stance against early repayment fees which we feel penalise customers for financially responsible behaviour. We believe this ethos is a key reason why 40% of our customers return to us for a second loan.



“Found the whole experience of applying for a loan with Zopa to be very pleasant, easy and quick and will definitely use them again.”

- TrustPilot customer quote, 30th November 2020



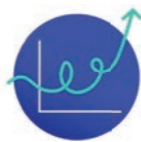
## Deep dive: Credit cards

We have translated everything we have learned in the personal loans market into our first credit card product. We aim to attract customers who need credit, but have traditionally been poorly served, and provide them with better control over their spending and credit usage.

We achieve this in several ways:

- Tackling unnecessary fees: we do not charge over limit fees or fees to use the card abroad.
- Transparency on acceptance and rate: We show real rates and pre-approval so that customers can quickly and easily check whether Zopa is right for them.

- Easy to use tools: Our card is serviced from the app and shows real time spending breakdowns, spend notifications and self-serve options.
- Innovative features: Our bespoke tech allows us to provide not only spend updates but also real time balance updates to reduce the chance of overspending. We also launched our innovative Safety Net feature. This allows customers to set aside part of their available credit limit, either to cover unexpected expenses or to reduce credit utilisation if they are focused on credit score improvement.



Over 18,000 accounts  
in three months  
(October 2020 launch)



More than £5m in  
transactions since launch



Average total spend in first two  
months of opening the account  
was over £300 per customer

*“Just taken out a credit card with Zopa. They have been brilliant to deal with from start to finish. I hope I have a card with yourselves for many, many years to come.”*

- TrustPilot customer quote, 21st December 2020

Awards

Moneyfacts Consumer Awards	WINNER: Personal Loan Provider of the year WINNER: P2P Provider of the year HIGHLY COMMENDED: Best Customer Service
Sifted	Companies to follow in 2020 <a href="https://sifted.eu/uk-startups-top-rankings/">https://sifted.eu/uk-startups-top-rankings/</a>
Finders.com	HIGHLY COMMENDED: Loans Customer Satisfaction
British Bank Awards	WINNER: Best Personal Loan Provider HIGHLY COMMENDED: Best Alternative Finance Product
Fairer Finance	Gold Ribbon - Customer Experience 4th Gold Ribbon - Customer Experience 3rd
Asian Tech Pioneers 2020	Jaidev Janardana included in top 20
Beauhurst	Top 50 fintech startups and scaleups in the UK (came in at #12) <a href="https://www.beauhurst.com/blog/fintech-startup-companies/">https://www.beauhurst.com/blog/fintech-startup-companies/</a>



People and capabilities

Our People

People are key to the success of Zopa and through 2020, we were focused on ensuring that our employees could continue to work safely, productively, and in a Zopa culture of which they could be proud.

Historically, Zopa has been predominantly based at its office site in London, with a smaller group of people also working from Barcelona. However, we have always had a flexible approach, which allowed a full and smooth transition to home working in late March as the first lockdown came into force. As the year progressed we continued to operate in a predominantly work-at-home model – with the office open for optional use during periods when the stay at home order was relaxed. To make this work, we have rethought several elements of our employee experience in order to deliver it remotely. In some cases these changes are tactical, such as restructuring our weekly company meetings so we could continue to see each other’s faces and hear from voices around the business, sending monthly gifts to all Zopa staff to keep their spirits up, or re-designing our internal comms to reflect the remote environment.

In some cases, changes have been more fundamental. We have enabled fully remote onboarding for Zopians including kit, welcome pack delivery and induction sessions, as well as professional training where needed. We have also redesigned our Learning & Development proposition this year based on the changing needs of our people in a world where side of desk coaching is less accessible and different types of skills have been required, for example, delivering impactful presentations via Zoom and asynchronous working. We also leverage the skills in the business with a series of much in demand lunch and learns.

We are aware that as well as the business adapting, our employees have also been adapting to enormous change and uncertainty as the pandemic unfolded. To support them, we have had a continued focus on providing support in the form of mental health first aiders and our confidential employee support service. We have also implemented a range of interventions in order to respond to employee feedback and address

pain points. These have included early Friday finishes in winter, no-Zoom days once a fortnight, and sharing of a variety of resources and tools within the business.

This approach has meant that while 2020 was a challenging year, we still achieved an employee engagement score of 60 out of 100 and maintained our Glassdoor rating of 4.1 out of 5 stars. Everything that we have learned through 2020 with regard to our working model will inform our forward looking approach to work at Zopa, in order to continue to attract and retain top calibre talent.

Whilst the move to predominantly at home working has been a key focus for the people team in 2020, we have continued to make headway on some of our key strategic focuses:

Diversity and Inclusion

A balanced and diverse workforce is important to Zopa. We strongly believe in creating a fair and inclusive working environment across race, ethnicity, sexual orientation, class, disability and gender.

In 2018, we signed the Women in Finance Charter which encourages companies to have at least 33% women in senior management.\* We currently over deliver vs. this target and have continued to make some positive progress even through this challenging time, increasing the percentage of female representation on our entire Zopa entities Boards from 31–36% and our executive committee from 38–43%.

We have also improved our gender diversity in the company as a whole over the last year, increasing the percentage of females employed within Zopa from 37% in 2019 to 40% in 2020.

Looking towards 2021, we continue to focus on gender diversity, especially in technology where there is still progress to be made. We will also be extending our focus to improving our racial diversity. Alongside a number of internal initiatives, we will be working with three key partners to help us achieve our goals: Code First Girls, The Black Young Professionals Network and Your Startup Your Story.

\* 33% is the agreed percentage from the Women In Finance Charter. More details can be found at [www.zopa.com/blog/article/gender-diversity-at-zopa](http://www.zopa.com/blog/article/gender-diversity-at-zopa)

# People and capabilities

## Supporting our communities

For the last two years we've partnered with Future Frontiers, a not-for-profit organisation which delivers an award-winning programme of face-to-face coaching and access to professional role models for children from disadvantaged backgrounds. Through partnering with local schools, Zopa staff have been able to help programme participants build their aspirations and transform their approach to learning. We also allocate all staff two paid days leave per year to volunteer for a charity of their choice as a way to contribute to the causes closest to our employees' hearts.

## Technology

Technology is an intrinsic part of Zopa's competitive advantage. Our ability to react quickly to the changing needs of our customers; to capitalise on new opportunities as they present themselves; and to provide services that are secure and resilient that our customers can trust; is made possible by the calibre of our teams and our adoption of contemporary technology tools and practices.

We have chosen to build key parts of our technology in-house; to follow the micro-services architecture pattern; to leverage the capabilities of public cloud providers such as Amazon Web Services; to employ open-source technologies from leading technology companies such as Google; and to adopt Continuous Delivery and DevOps practices. In concert, these choices allow us to safely release new or improved features to our customers over 7,000 times each year. A capability as advanced as this is usually the preserve of organisations with many more resources at their disposal.

Bringing our technology and product colleagues together into cross-functional 'Tribes', enables us to be sure that we are always focused on the highest impact work. In many cases the features and products that we are able to provide to our customers are innovative, unique and market leading – meeting the needs of our customers in ways that are beyond the means of our competition. An example of this is our ability to provide committed, rather than indicative, loan quotes on price comparison websites. The rate that a customer initially sees is the rate that they will get. Zopa's ability to meet this need for certainty that our customers have is made possible by our progressive approach to technology.

## Data

Our strong data capabilities have allowed us to originate high quality loan assets for 15 years – including through two crises. Our modelling is able to evolve quickly, and we were able to continue lending throughout the COVID-19 pandemic without increasing the risk profile of our assets.

We are at the forefront of using Open Banking data and have been using it since its inception, to enhance both business efficiency and customer experience. Our use of Open Banking, automation and AI, have helped us to minimize the cost of our operating model, so that we can continue to prioritise a high level of service where customers need it most. An example of this is our use of Open Banking for document verification and ID checks. More than 50% of our customers choose to use our Open Banking technology, enabling us to speed up the disbursement of funds and reduce operation costs.

Looking towards 2021, we have a number of projects and initiatives that harness the power of Open Banking to bring a better experience to our customers and to further automate our processes.

## Post 2020

Our focus for the year ahead is to further build on the momentum of our Bank growth. In 2021 we aim to:

- Establish a sustainable and attractive business model by reaching break even.
- Grow our number of happy customers. We will do this by further growing existing business lines while also launching new products and services. Our focus will be on maintaining a high standard of customer experience as we scale further.
- Evolve our operating model and risk management to keep pace with our growth.
- Continue to attract and retain great talent through a compelling employer proposition and focus on further improving diversity and inclusion.

Alongside our focus on the Bank, we continue to be committed to delivering positive returns for our P2P investors as we assess how the sector will continue to evolve post COVID-19.

*“ Never had any kind of issues with those guys, what an amazing company to deal with! No BS and their app is great.”*

*- TrustPilot customer quote, 27th November 2020*



# Key performance indicators (“KPIs”)

The overall progress of the Group against its targets is monitored at Board meetings. In addition to specific risks, individual strategic elements are monitored and examined monthly by the Executive

Committee, both by reference to KPIs and a close knowledge of the Group's risk exposures. Performance during the year, together with prior year comparatives, is summarised below:

KPIs	31 Dec 2020	31 Dec 2019	Comments
	£000	£000	
Net Interest Income	£6,648	£496	The increase from prior period is due to the full launch of Zopa Bank and the increase in customer loan balances offset by growth in interest expense from savings balances.
Fee and Commission Income	£22,524	£46,252	Fee and commission income is the income received from acquiring and servicing loans on the peer-to-peer platform. The reduction in the year arose from the reduction in new peer-to-peer lending volumes, due to the impacts of COVID-19 and the launch of Zopa Bank, and from the move from charging upfront fees at loan acquisition to an increased loan servicing fee.
Revenue (being the aggregate value of Interest Income, Fee and Commission Income and Other Income)	£29,809	£47,027	The decrease from prior period occurred as the reduction in fee and commission income exceeded the increase in net interest income, as a result of none of the Group's revenues now being recognised at the point of loan origination.
Impairment losses on loans and advances to customers	(£12,781)	(£180)	Charge recognised under IFRS9 through profit and loss in relation to expected credit losses on loans to customers. The increase is primarily due to the growth in loan balances post the launch of the Bank, combined with the impacts of COVID-19 on IFRS9 impairment levels.
Administrative Expenses	(£48,629)	(£51,411)	Administrative expenses include costs of running the business such as staff costs, IT costs, marketing expenses, premises, depreciation and amortisation. In response to COVID-19 the Group made efficiency savings which reduced total costs compared to 2019.
Total Customers	336	317	The increase from prior period is due to the full launch of the Bank offsetting reduced P2P lending and leading to an overall increase.
Total Equity	£134,072	£36,535	Total Equity is comprised of share capital, reserves, and accumulated losses. The £138m injection of capital in the year significantly exceeded the loss for the year.

# Financial performance

By the end of 2020 the Group had grown its gross loan balances to £238.2m, generating net interest margin of £6.6m and building impairment provisions to £12.7m on the balance sheet.

Despite the strong launch of the Bank total revenue reduced to £29.8m in 2021 from £47.0m in 2020. This was driven by the reduction in new loan originations due to COVID-19, the transition to on balance sheet lending where revenue is earned over the life of the loan balance as interest income, and the transition from upfront fees to servicing fees on peer to peer loans. The total loss for the year of £41.7m also reflected the completion of build out of the Bank and the impact of the IFRS9 accounting standard on profitability for a rapidly growing lending business since impairment provisions are initially booked at the

point that loans are originated whereas revenues are generated over the life of the loan.

The Group received capital injections of £140m in 2020, from Silverstripe. The injections of capital enabled us to meet the required levels of regulatory capital to enable the restrictions on the banking licence to be lifted, providing significant capital resources enabling the Group to grow its balance sheet lending. We ended 2020 in an extremely strong Net Assets position with £134.1m of Total Equity.



# Corporate governance

## Section 172 Disclosure

Zopa Group Limited is a UK holding company, whose subsidiaries include Zopa Bank Limited and Zopa Limited. The Company complies with Section 172 of the Companies Act by ensuring that the overall Group strategy, purpose, values and culture, are applied and adopted as appropriate by each subsidiary. The Company manages capital for the Group, including the raising of new equity capital. Throughout 2021, the Board will continue to review and challenge how Zopa Group can continue to improve engagement with shareholders, employees and other stakeholders.

## Board Role

The Board is responsible for ensuring that Zopa delivers against its financial and business objectives as set out in its business plans and budget, having regard to interests of all stakeholders. The Board is also responsible for the oversight and control of the management of risk at Zopa and for ensuring that risk appetite is set and that culture, values and standards are maintained. The Board ensures that the Company and the Board itself comply with its Articles of Association and through its own activities and its oversight of the subsidiaries it ensures that all relevant legal, regulatory and governance requirements are met.

The Board directs Zopa by setting its overall strategy, whilst ensuring that its culture, values, and behaviours meet or exceed the standards required of Zopa which includes the two regulated subsidiaries.

The Board is supported by the Executive Management team, employed within Zopa Bank Limited or Zopa Limited, who provide reporting and recommendations and who are responsible for executing Zopa's Strategy and delivering financial and business performance.

## Board Training and Induction

New Board members are offered comprehensive induction training and meet with relevant members of staff to support the transition into their new role. Zopa's

secretarial team ensures that the Board are updated on developments in corporate governance or Directors' duties and responsibilities.

## Conflicts of Interest

The Chair ensures that any conflicts of interest are declared, recorded in the Conflicts Register and managed in accordance with legal requirements. Zopa Group's governance framework has been developed to ensure that conflicts of interest between the different entities are minimised and managed appropriately.

## Employee Engagement and Culture

The Board is responsible for setting Zopa's values and standards and ensuring that the Group is managed with integrity. The Board ensures that Zopa's culture and values have been inculcated into the business through its oversight of the subsidiaries and through its own monitoring. This includes the monitoring of whistleblowing via the Zopa Bank Board Audit Committee; and the review of dedicated conduct risk MI by the subsidiary Boards.

Zopa's long-term success is centred on the commitment of its employees to its purpose, and the demonstration of Zopa's values on a daily basis. Zopa's values are embedded in its recruitment and performance criteria. Zopa aims to ensure that employees are well informed on its strategy and decisions that impact them. This is achieved through regular company meetings and written communications.

Zopa Group carries out an employee opinion survey twice a year. The employee opinion survey results provide the opportunity for the Board and Executive Management Team to gain a perspective of employees' view of strategy, leadership, culture and values. Management and the Board assess the results of the surveys and take appropriate actions.

## Shareholder Engagement

The Group Board owns the relationship with the Zopa Group Limited shareholders. Some shareholders have direct participation in the Group Board meetings

# Corporate governance

through their representatives as Directors of the Board. The remaining shareholders are informed about the developments of Zopa Group on a frequent basis. This includes periodic updates on financial performance and more detailed quarterly strategy updates to major shareholders.

## Climate change

Zopa Group does not operate within an industry that promotes a heavy carbon footprint, but does contribute through financing of cars, the majority of which are non electric. Since the start of the COVID-19 pandemic, the majority of staff have been able to work from home which has further limited Zopa's carbon footprint. When staff are working from the office, recycling is widely encouraged and we encourage colleagues to take environmentally conscious decisions where possible.

The Board is made aware of relevant developments in environmental legislation and ensures that the financial risks from climate change are embedded into the management of risk across the Company.

## Our Regulators

The Executive Management Team is in regular contact with the regulators, the PRA and FCA. This communication has remained on a regular basis throughout 2020 as Zopa Bank was launched and entered into its post mobilisation phase.

Zopa Group adheres to regulatory guidance to ensure that the business operates to the highest standards, for the benefit of our customers and other stakeholders.

## Customers

A core aim of Zopa is to be the best place for money for UK consumers, by offering innovative products that are clear and easy to understand. All Zopa products are underpinned by a high quality, award-winning customer service that is crucial to delivering on its aim. 2020 was an exceptional year for all consumers due to COVID-19, including Zopa customers. Further details of how we adapted to the needs of our customers are set out on pages 12-13 of the Strategic Report.

## Suppliers and Outsourcing

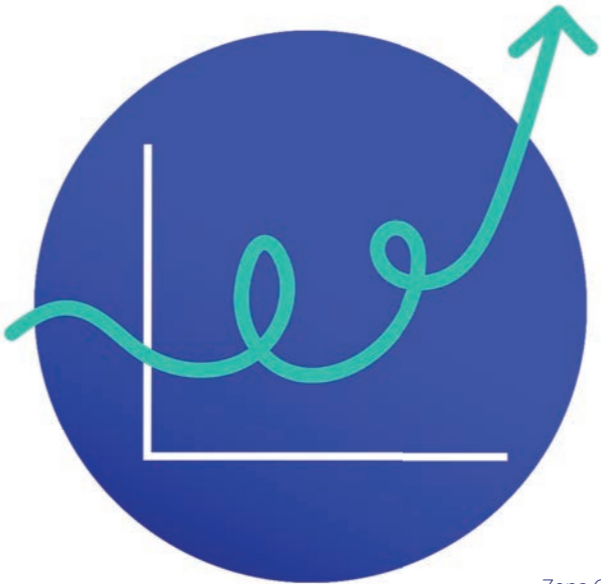
Zopa Group has a well-established procurement process that ensures we select appropriate suppliers who will help us maintain our high standards of service. We also have a well-established supplier management process so that suppliers are managed to minimise any risk they could pose to us and to ensure good customer outcomes.

Key outsourcing decisions are made by the subsidiary Boards including the ongoing monitoring of key suppliers, whereas the Group Board makes selection decisions for key suppliers providing services to Zopa Group Limited, such as investment advisers.

The annual reports of both subsidiaries set out how the subsidiary Boards and management teams have worked to ensure that feedback from a broad range of stakeholders is considered in decision making, whilst ensuring that the Zopa Group business model is current and sustainable.

## Business environment

The Group continues to monitor consumer credit conditions. As a result of default conditions appearing to worsen following the historic lows seen over the last decade, the Group tightened its acceptance criteria in 2020. This reflects the Group's commitment to prudent risk management.



# Principal risks and uncertainties

The Risk Management Framework (RMF) operated by the two operating entities within Zopa Group – Zopa Bank Limited and Zopa Limited – set out how they and thus the Group manages their risk and control environment. The RMF defines types of risk, identifies sources of risk, and describes how those risks are effectively identified, measured, monitored, reported, and mitigated.

The risk management approach for the Group is comprised of six key components:

- **Risk Appetite:** Is set at a subsidiary level and is defined as the maximum level of each risk each entity will take in order to deliver their business strategies. The risk appetite statements for Zopa Bank and Zopa Limited define and quantify the risks that the two entities and thus the Group is exposed to and sets out the level of each risk they are willing to take given their business strategy.
- **Risk Management Model:** Zopa Group's operating entities operate a risk management model comprising mechanisms and processes to identify, measure, monitor, report and mitigate risks.
- **Three Lines of Defence:** Zopa Bank and Zopa Limited operate three lines of defence. In the first line, business areas are responsible for implementing policies and procedures to manage risk; in the second line, the risk and compliance functions monitor performance of the first line; a third line of internal audit acts as a check on the first two lines and other types of third party activity as appropriate.
- **Governance:** Authorities and responsibilities for risk management are clearly allocated to committees and individuals at Board and Management level. The Board retains responsibility for maintaining risk management and internal control systems, and for the identification, measurement, management and control of risks of regulatory concern involving the Zopa Group. It

delegates the execution of this responsibility to the relevant committees and individuals.

- **Culture and People:** Zopa Group's culture helps to ensure that a healthy and efficient risk environment is implemented from the bottom up. The Group regularly assesses culture through staff surveys, review of staff turnover and hiring trends and the annual employee performance management process.
- **Policies and Procedures:** Policies and procedures are in place to ensure Zopa Group's front-line activities are conducted within the bounds set by the Risk Appetite statement.



“ Cannot fault them, customer service was great and most of all they are clear and fair, just how it should be ”

- TrustPilot customer quote, 11th January 2021

# Principal risks and uncertainties

Zopa categorises the risks it faces into six major risk types – Credit, Capital, Liquidity, Market and Interest rate, Operational and Strategic:

Risk Type	Mitigation
<b>Credit risk</b> The risk that Zopa’s borrowers or other counterparties default on their loans or obligations.	<ul style="list-style-type: none"><li>• Operate in selected sectors and products, where we have expertise.</li><li>• Consistently apply the approved credit policy, and price credit facilities for risk.</li><li>• Obtain physical or financial collateral where appropriate.</li><li>• Undertake robust in-life management of the credit portfolio, including careful management of customers in collections.</li><li>• Perform regular monitoring and reporting of credit performance against risk appetite, with swift escalation if internal triggers or limits are breached.</li></ul>
<b>Capital risk</b> The risk that Zopa has insufficient capital to support its business strategy.	<ul style="list-style-type: none"><li>• Perform a comprehensive periodic Internal Capital Adequacy Assessment Process (“ICAAP”) that includes assessment of all material capital risks.</li><li>• Maintain a capital buffer above minimum regulatory requirements, and for Zopa Limited above expected wind down costs.</li><li>• Perform regular monitoring and reporting of capital adequacy against risk appetite, with swift escalation if internal triggers or limits are breached.</li><li>• Plan to meet capital requirements on a forward-looking basis, formally assessing confirmed and potential changes in regulatory rules.</li></ul>
<b>Liquidity risk</b> The risk that Zopa is unable to meet its obligations as they fall due.	<ul style="list-style-type: none"><li>• Perform a comprehensive periodic Internal Liquidity Adequacy Assessment Process (“ILAAP”) assessment of all material liquidity risks (Zopa Bank only).</li><li>• Comply with all liquidity related regulatory requirements and maintain a liquidity buffer above minimum regulatory requirements.</li><li>• Conduct active day-to-day Treasury management of liquidity resources, according to agreed internal liquidity policies (Zopa Bank only).</li><li>• Perform regular monitoring and reporting of liquidity adequacy against risk appetite, with swift escalation if internal triggers or limits are breached.</li><li>• Plan to meet liquidity requirements on a forward-looking basis, formally assessing confirmed and potential changes in regulatory rules.</li></ul>

# Principal risks and uncertainties

Risk Type	Mitigation
<b>Market and Interest rate risk</b>  The risk that Zopa experiences a loss due to changes in the market price of financial instruments, or adverse movements in interest rates that affect its banking book positions.	<ul style="list-style-type: none"><li>• Take market and interest rate risk only in support of the Group’s primary business activities, not in pursuit of profit.</li><li>• Perform hedging activity to reduce market (including FX) and Interest rate risk in the banking book (IRRBB) exposure (Zopa Bank only).</li><li>• Regularly quantify market risk and IRRBB and monitor them against risk appetite limits (Zopa Bank only).</li></ul>
<b>Operational risk</b>  The risk that Zopa suffers losses stemming from inadequate or failed internal processes, key suppliers, people and systems, including fraud or risks from the impact of external events including legal risks.  Operational risk includes compliance risk (the risk that Zopa fails to meet its regulatory obligations) and conduct risk (the risk that Zopa’s actions result in poor customer outcomes).	<ul style="list-style-type: none"><li>• Identify and allocate owners to all material business processes, and conduct risk assessments on these.</li><li>• Set and implement controls to monitor and ensure compliance with policies designed to mitigate operational risks.</li><li>• Perform regular monitoring of controls performance and risk events against risk appetite and escalate swiftly if internal triggers or limits are breached.</li><li>• Perform periodic deep-dive testing of operational risk management in individual process areas.</li><li>• Conduct regular business continuity, disaster recovery, and cyber security vulnerability testing.</li><li>• Conduct regular compliance testing and monitoring of customer outcomes.</li><li>• Undertakes regular monitoring of regulatory requirements.</li><li>• Development and monitoring of the operational resilience framework and controls.</li><li>• Undertake new supplier due diligence and maintain ongoing supplier management with significant focus on material suppliers.</li></ul>
<b>Strategic</b>  The risk of opportunity loss from the failure to optimise the earnings potential of Zopa’s franchise.	<ul style="list-style-type: none"><li>• Maintain a Group Board, Subsidiary Boards, Executive and Management Committees composed of skilled and experienced individuals.</li><li>• Conduct periodic strategic planning exercises and hold regular Board, Executive and Management Committee strategy discussions.</li><li>• Products, customer journeys and other business practices all designed to be consistent with Zopa’s values, minimising reputational risk.</li><li>• Regular horizon scanning and media monitoring to detect emerging reputational risks, with crisis communications plan in place to be activated when risks crystallise.</li></ul>

# Principal risks and uncertainties

Zopa has identified the following key uncertainties about events that could adversely impact the Group:

Theme	Risk	Mitigation
Prolonged or worsening UK economic downturn	A prolonged and/or worsening UK macroeconomic downturn, due to a weaker than expected recovery from the COVID-19 pandemic, could result in a worse than expected credit performance	<ul style="list-style-type: none"><li>• Credit applications assessed in the light of potential stress scenarios.</li><li>• Ability to flex credit policy.</li><li>• Regular monitoring to allow rapid response to signs of a worsening macro environment.</li></ul>
Major cyber or IT incident	A major cyber-attack or IT outage could prevent the Group providing its critical business services, leading to customer harm, loss of revenue and reputational damage	<ul style="list-style-type: none"><li>• Robust business continuity, disaster recovery and back-up arrangements.</li><li>• Ongoing information security threat monitoring, ensuring that counter-measures are up to date and effective.</li></ul>
Failure of a critical outsource provider or supplier	A failure or defect in an outsourced provider's performance of critical functions for the Group could cause service outages or customer detriment	<ul style="list-style-type: none"><li>• Initial and ongoing due diligence on all critical outsourcing providers including on business continuity, information security, data protection and customer treatment.</li><li>• Ensure service-level agreements and contracts are in place with providers together with effective monitoring to ensure services are delivered to the specified standards.</li><li>• Identification and classification of important business services and impact tolerances.</li></ul>

# Principal risks and uncertainties

Theme	Risk	Mitigation
Significant decline of P2P reputation (Zopa Limited only)	A significant number of P2P competitors failing, as a result of fallout from the COVID-19 pandemic or otherwise, could result in loss of confidence in the P2P industry with customers leaving the platform, leading to liquidity constraints and a drop in valuation	<ul style="list-style-type: none"><li>• Ongoing proactive and reactive engagement with regulators and media.</li></ul>
Delay or failure to raise equity capital	Delays or failure in the Group's raising of equity could impact the ability of the Group to grow its balance sheet lending.	<ul style="list-style-type: none"><li>• Group and Bank monitor capital runway to ensure that growth is managed against expected capital availability.</li><li>• Fund raising is a key strategy focus of the Group Board and planning of fund raising occurs &gt;6 months ahead of expected requirement date.</li></ul>



# Climate change

The Group does not operate within an industry that promotes a heavy carbon footprint and, as a branchless bank, our environmental impact is comparatively low. Since the start of the COVID-19 pandemic, a majority of staff were able to work from home, which further limited the Group's carbon footprint. When staff are working from the office, recycling is widely encouraged and we encourage colleagues to take environmentally conscious decisions where possible.

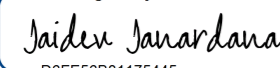
The Board is made aware of relevant developments in environmental legislation and ensures that the financial risks from climate change are embedded into the management of risk across the Group.

### Energy usage

The Group presents its analysis of greenhouse gas emissions (GHG) and energy usage below. GHG

GHG emissions and energy use data for the period	
Total energy consumption (MWh)	235
<b>Scope 1</b> Emissions from combustion of gas tCO2e	-
<b>Scope 2</b> Emissions from combustion of gas tCO2e	49
<b>Scope 3</b> Emissions from combustion of gas tCO2e	30
<b>Total gross tCO2e based on above</b>	<b>79</b>
<b>GHG emissions intensity from energy use (tonnes of CO2e/£m income)</b>	<b>3.75</b>

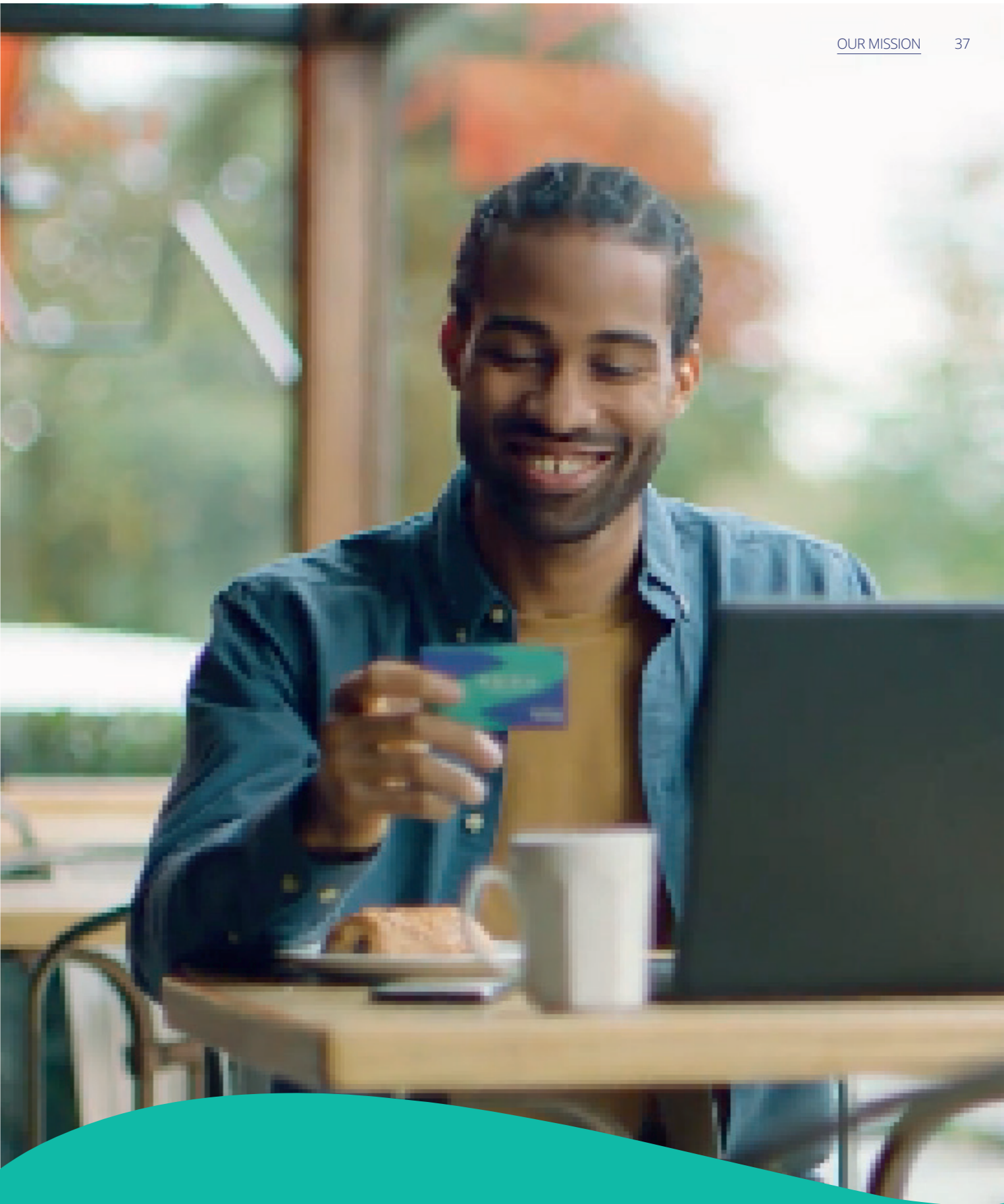
On behalf of the Board,

DocuSigned by:  
  
D6FE56B81175445...  
Jaidev Janardana  
Director

Date: 7/9/2021

emissions are split into two categories based on the source of the emission:

- 1. **Scope 1 (Direct):** Emissions from sources that the Group owns or controls i.e. generation of electricity, heat or steam from combustion of fuels.
- 2. **Scope 2 (Energy Indirect):** Indirect emissions from the consumption of purchased energy (electricity, heat, steam and cooling) consumed in the Group's operations.
- 3. **Scope 3 (Other Indirect):** Other emissions that are a consequence of the Group's actions, which occurs at sources which are not owned or controlled and which are not classed as Scope 2 emissions.



“ Really impressed with this company. Great rates and service. No hidden stuff. ”

- TrustPilot customer quote, 13th October 2020

# Directors' report for the year ended 31 December 2020



# Directors' report

The Directors present their annual report and audited financial statements of the consolidated Group and the Company for the year ended 31 December 2020. The financial performance and future plans for the Group are included in the relevant sections of the Strategic report.

The Directors do not recommend the payment of a dividend in the current year.

### 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:

- Gordon McCallum (Chair)
- Giles Andrews
- Nicholas Aspinall (appointed 11 June 2020)
- Charles Birnbaum (resigned 2 June 2020)
- Christine Farnish
- Richard Goulding
- Peter Herbert
- Jaidev Janardana
- Christopher Jones (appointed 11 June 2020)
- Tim Levene (resigned 11 June 2020)
- Nigel Morris (resigned 27 July 2020)
- Kapil Wadhawan (resigned 6 February 2020)
- Michael Woodburn (appointed 15 October 2020)
- Jeppe Zink (appointed 11 June 2020)

### Going concern

The financial statements have been prepared on a going concern basis, as the Directors are satisfied that the Group and the Company will have the resources to continue business for the foreseeable future. In making this assessment, the Directors have considered a wide range of information relating to present and future conditions, including the current state of the balance sheet, future projections of profitability, cash flows and capital resources. The Group's capital and liquidity plans, including alternative scenarios, have been reviewed by the Directors. When preparing the forecasts, the Group has reflected the economic repercussions of the COVID-19, including the risk of worse than expected credit performance, lower demand for borrowing and lower liquidity from P2P investors, thus contributing to lower growth.

The Company received a capital injection of £140m from IAG Silverstripe on 11th June 2020 with corresponding issuance of ordinary shares. This capital injection enabled the capitalisation of Zopa Bank Limited with the Company investing £135m into Zopa Bank additional ordinary shares. This was the final step to enable the lifting of restrictions on the banking licence enabling Zopa Bank Limited to commence raising of customer deposits and lending at greater scale.

For the going concern assessment, the base case forecast assumes that the Company will receive a further capital injection in Q4 2021 and inject equivalent funds into Zopa Bank to enable continued asset growth post that point. Should the Company choose to raise capital at a later point before the end of 2022 or the capital raise be delayed for other reasons, the Group would execute a series of actions to manage the Bank and Group regulatory capital position by reducing new lending volumes. These actions would ensure that the Group and Bank continued to meet relevant regulatory capital and liquidity requirements as set out by the PRA for a period of at least 12 months from the date of approval of the financial statements without a further injection of capital before the end of 2022.

# Directors' report

## Employee involvement

Employee engagement is one of the Group's key objectives and is measured biannually. Team engagement scores make up part of managers' assessments. To support engagement this year we have focused on scaling our communication in line with the business growth, learning and development improvements and ongoing improvements in workplace tech.

Zopa has also rolled out a refresh of its culture and values over the last 18 months to ensure that employees continue to feel connected to the Group and its mission as it grows. To further align the interests of the employee and the Group, Zopa's compensation structure is tied to the Group's performance and the progress of the Group is shared with employees. Certain staff members also partake in Group share ownership plans, with equity interests vesting over a period of time.

## Donations

The Group made no political donations in 2020 (2019: nil).

## 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. Additionally, applicants are asked prior to the interview stage if we need to make any special adjustments for them to take part in the process. Zopa currently employs people with a disclosed disability and is able to make suitable adjustments to create an inclusive and safe working space for them. In addition, our offices are fully wheelchair accessible.

## Management of financial risk

The Company's management of financial risk is detailed in note 24 to the consolidated financial statements.

## 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 issued by the Accounting Standards Board (IASB) in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- State whether international accounting standards in conformity with the requirements of the Companies Act 2006 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 Group and Company will continue in business.

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the

# Directors' report

financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006

## Directors confirmations

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' 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.

The Directors' report and financial statements on pages 38 to 114 were approved by the Board of Directors on 29 July 2021 and signed on its behalf by:

DocuSigned by:  
*Jaidev Janardana*  
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**Jaidev Janardana**  
Director

Date: 7/9/2021



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



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

### Report on the audit of the financial statements

#### Opinion

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

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2020 and of the group's loss and the group's and company's cash flows for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Consolidated Financial Statements (the "Annual Report"), which comprise: the consolidated and company statements of financial position as at 31 December 2020; the consolidated income statement, the consolidated and company statements of cash flows and the consolidated and company statements 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 group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

#### Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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 our work undertaken in the course of the audit, the Companies Act 2006 requires 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 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their 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, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and 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 group or the company or to cease operations, or have no realistic alternative but to do so.

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to the relevant rules of the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA), and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial statements and management bias in accounting estimates and judgements. Audit procedures performed by the engagement team included:

- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Assessment of matters reported on the entity's whistleblowing helpline and the results of management's investigation of such matters;
- Reading key correspondence with regulatory authorities such as the FCA and the PRA;
- Reading minutes of the key board committees to identify any matters of audit relevance;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to the valuation of loans and advances and valuation of investments in subsidiaries; and
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations or posted by senior management.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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](http://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 obtained 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 company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

*Nick Morrison*

Nick Morrison (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
Date: *7 September 2021*



“Amazing app so easy to use and make repayments, extra repayments or pay off in full with no charge. Brilliant service thank you.”

- TrustPilot customer quote, 28th November 2020

# Consolidated financial statements



## Consolidated income statement For the year ended 31 December 2020

		31 December 2020	31 December 2019
	Note	£000	£000
Interest income	4	7,285	775
Interest expense	5	(637)	(279)
<b>Net interest income</b>		<b>6,648</b>	<b>496</b>
Fee and commission income	6	22,524	46,252
Fee and commission expense		(7,991)	(13,284)
Net income from other financial instruments at FVTPL		71	-
<b>Total operating income</b>		<b>21,252</b>	<b>33,464</b>
Administrative expenses	7	(48,629)	(51,411)
<b>Operating loss before impairment losses</b>		<b>(27,377)</b>	<b>(17,947)</b>
Impairment losses on loans and advances to customers		(12,781)	(180)
Loss on disposal of PPE		(83)	(9)
Impairment of other assets		(1,240)	-
<b>Loss before tax</b>		<b>(41,481)</b>	<b>(18,136)</b>
Taxation	11	(242)	2,738
<b>Loss after tax - attributable to equity holders</b>		<b>(41,723)</b>	<b>(15,398)</b>
Other comprehensive income/(expense) that will not be reclassified subsequently to profit or loss		1	(1)
<b>Total comprehensive expense</b>		<b>(41,722)</b>	<b>(15,399)</b>

The notes on pages 56-99 form part of these financial statements.

The losses of the Group are derived from continuing operations in the current and prior periods. No other comprehensive income items were recorded during the year (2019: nil).

## Consolidated statement of financial position

### As at 31 December 2020

		31 December 2020	31 December 2019
	Note	£000	£000
<b>Assets</b>			
Cash at Central bank		35,024	-
Cash and balances with other banks		28,368	7,221
Debt securities	12	12,244	243
Loans and advances to customers	13	225,445	16,510
Prepayments and accrued income		2,842	3,564
Current tax asset	11	1,430	3,626
Other assets		3,209	2,373
Property, plant and equipment	14	1,429	2,458
Right of use assets	15	5,613	7,741
Intangible assets	16	11,106	11,310
<b>Total Assets</b>		<b>326,710</b>	<b>55,046</b>
<b>Liabilities</b>			
Amounts due to banks		162	21
Customer accounts		177,823	-
Accruals and deferred income		4,717	5,892
Provisions	17	1,377	2,174
Other liabilities	18	2,497	2,124
Derivatives held for risk management		97	-
Lease liabilities	15	5,965	8,300
<b>Total Liabilities</b>		<b>192,638</b>	<b>18,511</b>
<b>Equity</b>			
Share capital	19	904	389
Share premium		195,604	57,951
Other reserves		62,381	61,223
Accumulated losses		(124,817)	(83,028)
<b>Total Equity</b>		<b>134,072</b>	<b>36,535</b>
<b>Total Liabilities and Equity</b>		<b>326,710</b>	<b>55,046</b>

The notes on pages 56-99 form part of these financial statements.

The loss after tax of the Company for the year ended 31 December 2020 was £41,723k (2019: £15,398k).

The financial statements of Zopa Group Limited (Registered Number 10624955) were approved by the Board of Directors on 29 July 2021 and were signed on its behalf by:

DocuSigned by:  
  
D6FE56B81175445...  
**Jaidev Janardana**  
Director

Date: 7/9/2021



## Consolidated statement of changes in equity

### For the year ended 31 December 2020

	Share Capital	Share Premium	Other Reserves	Accumulated Losses	Shareholders' Equity
	£000	£000	£000	£000	£000
<b>Balance at 1 January 2019</b>	<b>380</b>	<b>56,342</b>	<b>59,656</b>	<b>(67,630)</b>	<b>48,748</b>
<b>Comprehensive expense</b>					
Exchange rate differences	-	-	(1)	-	(1)
Loss for the year	-	-	-	(15,398)	(15,398)
<b>Total comprehensive expense</b>	<b>-</b>	<b>-</b>	<b>(1)</b>	<b>(15,398)</b>	<b>(15,399)</b>
<b>Transactions with owners</b>					
Issue of share capital	9	1,609	-	-	1,618
Share based payment charge	-	-	1,568	-	1,568
<b>Total transactions with owners</b>	<b>9</b>	<b>1,609</b>	<b>1,568</b>	<b>-</b>	<b>3,186</b>
<b>Balance at 31 December 2019</b>	<b>389</b>	<b>57,951</b>	<b>61,223</b>	<b>(83,028)</b>	<b>36,535</b>
<b>Balance at 1 January 2020</b>	<b>389</b>	<b>57,951</b>	<b>61,223</b>	<b>(83,028)</b>	<b>36,535</b>
<b>Comprehensive expense</b>					
Exchange rate differences	-	-	1	-	1
Loss for the year	-	-	-	(41,723)	(41,723)
<b>Total comprehensive expense</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>(41,723)</b>	<b>(41,722)</b>
<b>Transactions with owners</b>					
Issue of share capital (net of transaction costs)	515	137,653	-	-	138,168
Treasury shares	-	-	-	(66)	(66)
Share based payment charge	-	-	1,157	-	1,157
<b>Total transactions with owners</b>	<b>515</b>	<b>137,653</b>	<b>1,157</b>	<b>(66)</b>	<b>139,259</b>
<b>Balance at 31 December 2020</b>	<b>904</b>	<b>195,604</b>	<b>62,381</b>	<b>(124,817)</b>	<b>134,072</b>

The notes on pages 56-99 form part of these financial statements.

Other Reserves consist of a Merger Reserve created in 2017 by a corporate reorganisation, a Share Based Payments Reserve and a Currency Translation Reserve. Transactions costs accounted for during the year as a

deduction from share premium totalled £2,201k (2019: £2,504k). Further information in relation to share capital and share based payments can be found in note 19 and note 21 respectively.

## Consolidated statement of cash flows

### For the year ended 31 December 2020

		31 December 2020	31 December 2019
	Note	£000	£000
<b>Cash flows from operating activities</b>			
Loss before taxation		(41,481)	(18,136)
Adjustments for:			
Increase in operating assets	26	(208,594)	(9,067)
Increase in deposits from customers		177,823	-
(Decrease) / increase in other operating liabilities		(661)	1,723
(Increase) / decrease in restricted balances		(4)	6
Decrease in lease liabilities	15	(2,522)	(2,231)
Non-cash and other items	26	7,775	7,327
Taxation received		1,741	220
<b>Net cash used in operating activities</b>		<b>(65,923)</b>	<b>(20,158)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	14	(261)	(531)
Purchase of intangible assets	16	(3,774)	(4,996)
Interest received on debt securities		24	78
<b>Net cash used in investing activities</b>		<b>(4,011)</b>	<b>(5,449)</b>
<b>Cash flows from financing activities</b>			
Issue of new shares		138,102	1,618
<b>Net cash provided by financing activities</b>		<b>138,102</b>	<b>1,618</b>
<b>Net increase / (decrease) in cash and cash equivalent</b>		<b>68,168</b>	<b>(23,989)</b>
Cash and cash equivalent at the start of the year		7,380	31,369
Movement during the year		68,168	(23,989)
<b>Cash and cash equivalent at the end of the year</b>		<b>75,548</b>	<b>7,380</b>

Consolidated statement of cash flows  
For the year ended 31 December 2020

	31 December 2020	31 December 2019
Note	£000	£000
Cash and cash equivalents consists of:		
Cash at Central bank	35,024	-
Cash and balances with other banks	28,368	7,221
Less restricted balances	(88)	(84)
Debt securities	12,244	243
Cash and cash equivalent at the end of the year	75,548	7,380

The notes on pages 56-99 form part of these financial statements.



“The app is easy to navigate and set out with ease of use in mind.”

- GetFeedback quote, December 2020

# Notes to the consolidated financial statements



## Notes to the financial statements

### 1. Principal accounting policies

#### (a) Basis of preparation

The Company is incorporated and domiciled in England & Wales in the United Kingdom under the Companies Act 2006. The Company is a private company and is limited by shares. The address of the registered office is detailed on page 4. Details of the group structure can be found in note 7 to the Company financial statements.

These financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 ("IFRS") and the applicable legal requirements of the Companies Act 2006. The financial statements have been prepared under the historical cost convention or at fair value for financial instruments measured at fair value through profit and loss or other comprehensive income. The principal accounting policies, which have been consistently applied, are set out below.

#### (b) Functional and presentation currency

The financial statements are presented in Pounds Sterling, which is the functional currency of the Group. All amounts have been rounded to the nearest thousand, except where otherwise indicated.

Foreign currency transactions are translated into functional currency using the spot exchange rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the spot exchange rate at the reporting date. Foreign exchange gains and losses resulting from the restatement and settlement of such transactions are recognised in the statement of profit and loss.

Non-monetary assets and liabilities that are measured on a historical cost basis and denominated in foreign currencies are translated into the functional currency using the spot exchange rate at the date of the

transaction. Non-monetary assets and liabilities that are measured at fair value and denominated in foreign currencies are translated into the functional currency at the spot exchange rate at the date of valuation.

#### (c) Going concern

The financial statements have been prepared on a going concern basis, as the Directors are satisfied that the Group will have the resources to continue business for the foreseeable future. In making this assessment, the Directors have considered a wide range of information relating to present and future conditions, including the current state of the balance sheet, future projections of profitability, cash flows and capital resources. The Group's capital and liquidity plans, including alternative scenarios, have been reviewed by the Directors. When preparing the forecasts, the Group has reflected the economic repercussions of the coronavirus, including the risk of worse than expected credit performance and lower demand for borrowing, thus contributing to lower growth.

On 11th June 2020, following completion of the investment by IAG Silverstripe, the Group received a capital injection of £140m. This has allowed the Group to invest £138m into Zopa Bank Limited, thus completing the final step to lifting the restrictions on the banking licence and enabling the Group to commence raising of customer deposits and lending at greater scale.

The base case forecast assumes that the Group will raise further capital in Q4 2021 and inject this into Zopa Bank Limited to enable continued asset growth post that point and to cover trading losses including the impact of IFRS9 impairment provisions on a growing loan portfolio. Should the Group choose to raise capital at a later point in 2021 or the capital raise be delayed for other reasons, the Group would execute a series of actions to manage its regulatory capital position by reducing new lending volumes. These actions would ensure that the Group and Bank continued to meet relevant regulatory capital and liquidity requirements as set out by the PRA for a period of at least 12 months

## Notes to the financial statements

from the date of approval of the financial statements without a further injection of capital before the end of 2022.

### (d) Presentation of risk and capital disclosures

Principal risks and uncertainties are disclosed in the strategic report (pages 28-33), whilst IFRS 7 disclosures for financial risks, including capital risk, are disclosed in Note 24.

### (e) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future years affected. Information about areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are included in note 3.

### (f) New and amended standards adopted by the Group

Other amendments effective on 1 January 2020

The following amendments became effective on 1 January 2020, but have no impact on the financial statements as the Group does not have any activity or products relating to them:

- Revised Conceptual Framework for Financial Reporting
- Definition of a Business (Amendments to IFRS)
- Definition of Material (Amendments to IAS 1 and IAS 8)

- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

### (g) New standards, amendments and interpretations issued but not mandatory effective before 31 December 2020

The following amendments are effective for annual periods beginning on or after 1 January 2021 and there is no financial impact of these standards at present, however the Group will review and assess any impact in the future:

- COVID-19-Related Rent Concessions (Amendment to IFRS 16)
- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
- Annual Improvements to IFRS Standards 2018–2020
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
- Reference to the Conceptual Framework (Amendments to IFRS 3)
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- IFRS 17 Insurance Contracts, amendments to definitions to IAS 1 and IAS 8 and amendments to IFRS 3 – Definition of a business
- Sale or contribution of assets between an investor and its associate or joint venture – Amendments to IFRS 10 and IAS 28

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

## Notes to the financial statements

## 2. Significant accounting policies

### (a) Interest income and expense

Interest income and expense presented in the income statement includes:

- hire purchase (HP) auto loan contracts to customers. Lease income is recognised within interest income in the income statement over the term of the lease using the net investment method (before tax) which reflects a constant periodic rate of return.
- interest on financial assets measured at amortised cost calculated on an effective interest rate (“EIR”) basis.

The EIR is the rate that, at the inception of the financial asset, exactly discounts expected future cash payments and receipts over the expected life of the instrument back to the initial carrying amount. When calculating the EIR, the Company estimates cashflows considering all contractual terms of the instrument but does not consider the assets’ future credit losses.

The calculation of the EIR includes all transaction costs and fees paid or received that are an integral part of the interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset.

### (b) Fee and commission income

Fee and commission income includes fees relating to services provided to customers which do not meet the criteria for inclusion within interest income.

The Group recognises fee and commission income when services are provided to customers and the Group has satisfied its performance obligations under the contract, at an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods and services, and management concludes that there is a high probability that there will be no significant reversal of the estimated income.

Fee and commission income is mainly comprised of commission charged to borrowers and lenders for the use of the on-line lending and borrowing exchange. Income from servicing fees is recognised over the term of the loan. The borrower fee is recognised when the borrower accepts the loan.

### (c) Fee and commission expense

Fee and commission expense consists of introducer commissions, legal and valuation fees and credit search fees. Where these fees and commissions are incremental costs that are directly attributable to the issue of a financial instrument, they are included in interest income as part of the EIR calculation. Where they are directly attributable to the acquisition of a customer contract they are recognised as an asset and amortised over the life of the contract in a systematic basis consistently with the transfer of the contract services. Where they are not incremental costs that are directly attributable, they are recognised within fee and commission expense as the services are received.

### (d) Financial instruments

#### Recognition of financial instruments

Financial assets and liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Purchases and sales of financial assets are recognised on trade date.

#### Derecognition of financial instruments

Financial assets are derecognised when and only when:

- the contractual rights to receive the cash flows from the financial asset expire; or
- the Group has transferred substantially all the risks and rewards of ownership of the assets.

On derecognition of a financial asset, the difference between the carrying amount (or the carrying amount allocated to the portion being derecognised) and the sum of the consideration received (including any new asset obtained less any new liability assumed) is recognised in the income statement.

## Notes to the financial statements

A financial liability is derecognised when the obligation is discharged, cancelled or expires. Any difference between the carrying amount of a financial liability derecognised and the consideration paid is recognised in the income statement.

### Classification of financial assets

There are three principal classification categories for financial assets:

- measured at amortised cost,
- fair value through other comprehensive income (FVOCI) ); and
- fair value through profit or loss (FVTPL).

To classify financial assets the Group performs two tests: one to evaluate the business model in which financial assets are managed and the other to assess their cash flow characteristics.

The ‘business model assessment’ determines whether the Group’s objective is to generate cash flows from collecting contractual cash flows, or by both collecting contractual cash flows and selling financial assets. The assessment is performed at a portfolio level as this best reflects the way business is managed and how information is provided to management. The assessment is based on expected scenarios. If cash flows are realised in a manner that is different from the original expectation, the classification of the remaining assets in that portfolio is not changed but such information is used when assessing new financial assets going forward.

The assessment of cash flow characteristics determines whether the contractual cash flows of the financial asset are solely payments of principal and interest on the principal amount outstanding (SPPI) and is referred to as the ‘SPPI test’. For the purposes of the SPPI test, principal is defined as the fair value of the financial asset at initial recognition. Interest is defined as consideration for the time value of money and credit risk associated with the principal amount outstanding and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a reasonable profit margin. The SPPI test is performed at an instrument

level based on the contractual terms of the instrument at initial recognition. Only debt instruments can meet the SPPI test.

Since both the SPPI and business model tests are passed, almost all the financial assets held by the Group are classified as measured at amortised cost. The only exception relates to an insignificant portfolio of loans and advances to customers intended to be sold to third parties. This portfolio is classified as held to collect and sell and is measured at FVOCI. As at 31 December 2020 there was a portfolio of unsecured personal loans for £59k originated with the purpose selling them to retail investors on Zopa Limited’s (a group affiliated entity) P2P platform. Due to liquidity constraints this portfolio remained on the statement of financial position of the Group as at 31 December 2020. The fair value represents the cash disbursed on origination. In January 2021 this portfolio was eventually sold to retail investors as intended at no gain or loss. For this reason, there was no fair value movement nor any gain or loss for the year ended 31 December 2020 and no subsequent statement of other comprehensive income has been prepared.

Subsequent to initial recognition, financial assets are reclassified only when the Group changes its business model for managing financial assets. Where this is the case, the Group reclassifies all affected financial assets in accordance with the new business model. The reclassification is applied prospectively.

### Measurement of financial assets

*Financial assets measured at amortised cost* are initially measured at fair value plus transaction costs that are directly attributable to the financial asset. Subsequently, these are measured at amortised cost using the EIR method. The amortised cost is the amount advanced less principal repayments, plus or minus the cumulative amortisation using the EIR method of any difference between the amount advanced and the maturity amount, less impairment provisions for incurred losses. Financial assets measured at amortised cost mainly comprise loans and advances to customers and cash and balances with other banks.

## Notes to the financial statements

Financial assets measured at fair value through other comprehensive income (FVOCI) are initially measured at fair value plus transaction costs that are directly attributable to the financial asset. Subsequently, they are measured at fair value based on valuation techniques including discounted cash flow analysis, with reference to relevant market rates and other commonly used valuation techniques. Interest income is recognised in the income statement using the EIR method. Impairment provisions are recognised in the income statement. Other fair value movements are recognised in other comprehensive income and presented in the FVOCI reserve in equity. On disposal, the gain or loss accumulated in equity is reclassified to the income statement.

The Group holds forward contracts for the purchase of foreign currencies in order to manage its exposure to foreign exchange risk. These are recognised as derivatives held for risk management and are measured at fair value through profit or loss.

### Financial liabilities at amortised cost

Financial liabilities are contractual obligations to deliver cash or another financial asset. Financial liabilities are recognized initially at fair value, net of directly attributable transaction costs for financial liabilities other than derivatives. Subsequently they are measured at amortised cost. Any difference between proceeds, net of transaction costs, and the redemption value is recognised in the income statement over the period of the borrowings using the EIR method.

### Impairment of financial assets

This policy applies to:

- financial assets measured at amortised cost;
- loan commitments; and
- finance lease receivables where the Group is the lessor.

The estimation of credit risk of loans and advances for credit risk management purposes is complex and requires the use of models, as exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the

likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Group measures credit risk by assessing Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). Expected credit loss (ECL) is the product of these 3 values. Further details on the estimation of ECL can be found in note 3.

IFRS 9 outlines a ‘three-stage’ model for impairment based on changes in credit quality. A financial instrument that is not credit impaired on initial recognition is classified as in Stage 1 and has its credit risk continually monitored by the Group. If a significant increase in credit risk (SICR) since initial recognition is identified, the financial instrument is moved to Stage 2 but is not yet deemed credit impaired. If the financial instrument is classified as credit impaired, the financial instrument is then moved to Stage 3. The key judgements and assumptions adopted by the Group in addressing the requirements of the standard are discussed below:

### Significant increase in credit risk (SICR) - Movement from Stage 1 to Stage 2

The Group considers a financial instrument to have experienced a SICR when one or more of the following quantitative, qualitative or backstop criteria have been met.

#### Quantitative Criteria

The remaining lifetime PD at the reporting date has increased significantly, compared to the residual lifetime PD expected when the exposure was first recognised. Loans that have a revised PD ratio of more than or equal to the PD ratio threshold as determined by the Group are deemed to have suffered a SICR. The revised PD ratio is the cumulative adjusted PD over the cumulative expected PD at origination. It reflects the probabilities of default for the remaining life of a loan. The cumulative adjusted PD is the weighted average PD across different economic scenarios.

#### Quantitative Criteria

- The borrower has agreed to an alternative payment plan
- The borrower is in arrears

Notes to the financial statements

Backstop

A backstop is applied, and the financial instrument considered to have experienced a SICR if the borrower is more than 30 days past due on their contractual payments.

Definition of default and credit impaired assets - Movement from Stage 2 to Stage 3

The Group defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative Criteria

The borrower is more than 60 days past due in the case of secured car finance, and more than 90 days past due for unsecured personal loans and credit cards.

Qualitative Criteria

The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where the borrower is subject to bankruptcy proceedings, distressed restructuring, is deceased, or similar circumstances.

All financial instruments in default are considered to be in Stage 3.

No loans are currently subject to permanent forbearance arrangements and all loans and advances to customers are originated within the United Kingdom.

Write-Off and Recoveries

Write-off shall occur when either part, or all, of the outstanding debt is considered irrecoverable and all viable options to recover the debt have been exhausted. Any amount received after a provision has been raised or debt has been written-off, will be recorded as a recovery and reflected as a reduction in the impairment loss reflected in the income statement.

(e) Leases

IFRS 16 replaced IAS17 effective from 1 January 2019.

As a lessor

The accounting treatment for leases under IFRS 16, where the Group acts as a lessor remained unchanged from IAS 17. The Group provides finance for hire purchase auto leases to customers. When assets are leased to customers under finance leases, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised within interest income in the income statement over the term of the lease using the net investment method (before tax) which reflects a constant periodic rate of return ignoring tax cash flows.

As a lessee

The Group leases various property for office space and data centres. Contracts may contain both lease and non-lease components.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Until the 2019 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases. From 1 January 2020, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and

Notes to the financial statements

- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is the case for leases in the Group, the lessee’s incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. In the absence of any borrowing history, the Group determined its incremental borrowing rate to be equal to the SONIA rate plus a margin of 2%.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs

Right-of-use assets are generally depreciated over the shorter of the asset’s useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset’s useful life.

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in the income statement. Short-term leases are leases with a lease term of 12 months

or less. Low-value assets comprise IT equipment and small items of office furniture.

(f) Property, plant and equipment and depreciation

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

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

- Office equipment      3 - 5 years
- Fixtures and fittings    3 years

Depreciation is charged from the first full month after the date of acquisition of the asset. Residual values and useful economic lives for tangible assets are reviewed regularly and revised when necessary.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

(g) Intangible assets and amortisation

Banking licence

This consists of both employee costs and also other costs that have been incurred during the application process. The banking licence is considered to have an indefinite useful life.

Internally generated

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

- it is technically feasible to complete the intangible

Notes to the financial statements

- 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 lives and the amortisation recorded within operating expenses in the Income Statement once the asset is brought into revenue-generating use. The residual value of intangible assets is assumed to be zero. Impairment reviews are carried out at the end of each reporting year. Assets are stated at cost less accumulated amortisation and any recognised impairment.

The useful life of purchased and internally generated intangible assets is considered to be 3 years.

(h) Impairment of non-financial assets

Banking licence

The banking licence is tested for impairment at least annually. An impairment loss is recognised if the carrying amount of the banking licence is less than its recoverable amount. The recoverable amount is the greater of its value in use and its fair value less costs to sell. Value in use is calculated from forecasts by management of post-tax profits for the subsequent five years and a residual value discounted at a risk adjusted interest rate. Fair value is determined through review of precedent transactions for comparable businesses. Where impairment is required, the amount is recognised in the income statement and cannot be subsequently reversed.

Other intangible assets

If impairment is indicated, the asset's recoverable

amount, being the greater of value in use and fair value less costs to sell, is estimated. If the carrying value of the asset is greater than the greater of the value in use and the fair value less costs to sell, an impairment loss is recognised in the income statement. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(i) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation.

(j) 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 the income statement. 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 administrative 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 the Group's functional and presentation currency.

Notes to the financial statements

(k) Income tax

The income tax expense or credit for the year is the tax payable on the current year'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 on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group operates and generates 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 on the basis of amounts expected to be paid to the tax authorities.

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. Deferred income tax is 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. At the balance sheet date the Group is not recognising any deferred tax assets.

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

liability simultaneously.

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

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

(l) Employee benefits

Employee benefits are 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. Liabilities 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.

(m) Pension obligations

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

Notes to the financial statements

(n) Share-based payments

Equity-settled share-based compensation benefits are provided to employees of the Group via options granted under the 2005 Stock Incentive Plan, 2015 Stock Incentive Plan, the Zopa Group Limited Company Share Option Plan, the Zopa Group Limited Joint Share Option Plan and the Management Incentive Plan. They are all granted, and equity settled by Zopa Group Limited.

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.

(o) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents is comprised of cash and advances to banks and short term highly liquid debt securities with less than 3 months to maturity from the date of acquisition.

3. 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 judgements 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.

(a) Share based payments

Significant estimates and judgements include the estimation of the fair value of share-based payments. The Group has used the Black Scholes valuation model to determine the fair value of share-based payments. The significant assumptions used in the Black Scholes model are disclosed in Note 21.

(b) Measurement of the expected credit loss allowance

The measurement of the expected credit loss (ECL) allowance for financial assets is an area that requires the use of complex models and significant assumptions, as outlined below, about future economic conditions and credit behaviour.

Definition of default

IFRS 9 does not define default for the purpose of defining the Probability of Default (PD) as used when calculating ECLs and impairment provisions for stage 1 and stage 2 assets. As detailed in note 2(d)(vii), the Group has defined default on a basis that is consistent with the definition it uses for determining whether an asset is credit impaired, and is therefore classified as stage 3, and with the definition of default that is used for regulatory reporting purposes.

Significant increase in Credit Risk for classification in stage 2

As explained in note 2(d), loan impairment provisions are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. In assessing whether the credit risk of an asset has significantly increased, the Group takes into account

Notes to the financial statements

qualitative and quantitative reasonable and supportable forward looking information. Refer to note 2(d) for more details.

PD models

The Group has developed PD models, tailored to different types of lending with shared characteristics, to assess the likelihood of default within the next 12 months and over the lifetime of each loan. The models calculate estimates of PDs based upon current characteristics of the loan and observed historical default rates.

LGD models

The Group has developed Loss Given Default (LGD) models for the different types of lending. The LGDs are based on historical recoveries, which included any past debt sales, and benchmark information obtained from credit bureaus or other sources.

Economic Scenarios

In its forward-looking adjustments for impairment provision calculations, the Group adopted four economic scenarios. These scenarios represent the Group's view on potential future economic conditions and how they are expected to impact the credit performance of its portfolios.

The key macroeconomic indicators identified as drivers for the performance of the Group's credit portfolio are the UK Unemployment Rate and the UK Consumer Debt to Income Ratio. Both indicators are used in a proprietary macroeconomic model that estimates the expected effect of the future macroeconomic conditions on the performance of the Group's credit portfolio. The expected effect translates to an adjustment factor for PD. Further adjustments are made to the LGD to reflect the expected deterioration in recoveries and the debt sale market in periods of macroeconomic stress. In the interest of adopting unbiased scenarios that maximise the use of independent information, economic scenarios are underpinned by forecasts obtained from a specialist external consultancy, which develops the Base scenario projections based on forecasts published by HM Treasury, the Bank of England Monetary Policy Committee and the Office for Budget Responsibility

(OBR). These externally sourced economic projections are assessed by the Group at the Bank level and management judgement is applied in defining what is used as input into the impairment provision model.

The economic projections used by the Group are updated quarterly and the economic scenarios used in the credit impairment provision model are reviewed accordingly. In conjunction with reviewing the economic projections the probability weight for each scenario is also evaluated.

The narrative across all scenarios assumes that a proportion of the population will be vaccinated by May/ Jun-21. The peak of job losses and subsequent pace of recovery depends on how effective the vaccine will be, i.e. for how long does it secure protection or whether it's effective across all age groups, and on how extensive the vaccination can be across the population by the end of Sep-21 (before the next seasonal spike in infections). On top of the above, two of the scenarios are also assuming some form of disruption in the economy due to the UK / EU trade agreement.

As of year-end, the economic scenarios adopted by Zopa for calculating credit impairment provisions can be described as follows:

Under scenario 1 (Upside), the vaccine identified is effective across age groups and secures immunisation for 1+ years, while the government makes significant efforts to ensure the majority of the population is vaccinated by September. The UK / EU trade agreement does not cause any disruption in trade. This all translates into high business and consumer confidence, which results in a low Unemployment Rate peak (5.9%) and then a relatively fast recovery (albeit not as fast as it was imagined earlier in the year). We have assigned a 20% probability to this scenario.

Under scenario 2 (Base), the vaccine identified only secures immunisation for 6-12 months and/or the vaccination efforts are only enough for the elderly / vulnerable to be protected before the next seasonal spike. This causes some uncertainty and business and consumer confidence are higher than before, but not at the pre-COVID levels. The UK / EU trade agreement

Notes to the financial statements

causes minimal disruption in trade. This translates to an Unemployment Rate peak of 7.5% and a slow recovery that will take the Unemployment Rate to below 6% in the 2nd half of 2022. We have assigned a 50% probability to this scenario.

Under scenario 3 (Downside), the business and consumer confidence cannot rebound as it is clear that the vaccine is not effective or that the vaccinations will not be enough to immunise a large part of the population until next winter. Life cannot return to normal until 2022 albeit a lock-down might not be needed. At the same time, the impact of the UK / EU trade agreement is more significant than expected originally. The peak of Unemployment Rate is 10.1% and it will reach 6% at the end of 2023. We have

assigned a 25% probability to this scenario.

Under scenario 4 (Severe Downside), the Unemployment Rate peaks at 12.7% and it will not drop to below 6.5%, as there is still uncertainty around the evolution of the pandemic and it has become clear that the vaccine identified is not effective. At the same time, the impact of the UK / EU trade agreement is very severe. We have assigned a 5% probability to this scenario

The forecast for the key metrics used by the Group in its impairment provision calculation are summarized in the table below:

Scenario	Probability Weight		5-year peak unemployment rate		5-year peak consumer debt to income ratio	
	2020	2019	2020	2019	2020	2019
Upside	20%	10%	5.9%	3.7%	55.5%	23.9%
Base case	50%	60%	7.5%	4.2%	59.4%	26.6%
Downside	25%	20%	10.1%	5.3%	59.8%	30.5%
Severe downside	5%	10%	12.7%	7.6%	61.9%	33.5%

The updated macroeconomic scenarios as at 31 December 2020, would have resulted in a £1.7m ECL release. Due to the significant uncertainties that remained at the time in relation to potential future lockdowns, the efficacy of the vaccine, the implications of new virus variants and the vaccination programme, management decided against recognising the ECL release and maintaining it as an overlay to the ECL model output. The £1.7m ECL overlay was estimated by keeping the macroeconomic outlook the same as the third quarter of 2020.

**Sensitivity analysis**

If the upside scenario were to materialise, the loss allowance as at 31 December 2020, would have been £9.6m (31 December 2019: £239k). Conversely, under the downside scenario it would have been £13.9m (31 December 2019: £389k).

Notes to the financial statements

4. Interest income

	2020	2019
Interest income calculated using the effective interest method	£000	£000
Cash and cash equivalent	25	16
Loans and advances to customers at amortised cost	7,260	697
Debt securities - held to maturity at amortised cost	-	62
Total interest income	7,285	775

5. Interest expense

	2020	2019
	£000	£000
Interest expense under the effective interest method on:		
Customer accounts	412	-
Other interest expense	225	279
Total interest expense arising from financial liabilities measured at amortised cost	637	279

6. Fee and commission income

	2020	2019
	£000	£000
Revenue from contracts with customers		
Online marketplace revenue	22,349	45,588
Other income	175	664
Total revenue from contracts with customers	22,524	46,252

## Notes to the financial statements

### 7. Administrative expenses

		2020	2019
	Note	£000	£000
Staff Costs	8	32,405	32,023
Less: Capitalised development costs		(3,668)	(4,996)
Information Technology		5,812	6,531
Legal and Professional		3,540	3,493
Depreciation		3,289	3,477
Amortisation		2,738	1,692
Other		4,513	9,191
<b>Total administrative expenses</b>		<b>48,629</b>	<b>51,411</b>

### 8. Staff costs

		2020	2019
	Note	£000	£000
Wages and salaries		27,061	26,333
Social Security costs		3,173	3,209
Other pension costs		1,014	913
Share based payments	21	1,157	1,568
<b>Total staff costs</b>		<b>32,405</b>	<b>32,023</b>

Pension costs relate to amounts paid into defined contribution pension schemes. The average monthly number of persons (including Directors) employed during the year was:

		2020	2019
		Number	Number
Loan operations and servicing staff		267	249
Administration		185	193
<b>Total staff</b>		<b>452</b>	<b>442</b>

## Notes to the financial statements

### 9. Directors' remuneration

	2020 £000	2019 £000
Directors' emoluments	1,167	1,284
Payments in respect of personal pension plans	20	18
Share based compensation arrangements	393	114
	<b>1,580</b>	<b>1,416</b>

Payments in respect of personal pension plans relate to three Directors

#### Highest paid Director

The above amounts include the following in respect of the highest paid Director, who did not exercise any share options in the year (2019: nil):

	2020 £000	2019 £000
Emoluments	331	423
Payments in respect of personal pension plans	15	12
Share based compensation arrangements	379	76
	<b>725</b>	<b>511</b>

### 10. The Company's auditors

	2020	2019
<b>Services provided by the Company's auditors (excluding VAT):</b>	<b>£000</b>	<b>£000</b>
Fees payable for the audit of the company and consolidated financial statements	115	73
Fees payable for the audit of the company's subsidiaries	430	163
Fees payable for audit related assurance services	105	109
Fees payable for other assurance services	99	74
<b>Total</b>	<b>749</b>	<b>419</b>

## Notes to the financial statements

### 11. Taxation

<b>a) Tax Charge/ (Credit)</b>		
	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
Current tax on losses for the year	(123)	(1,681)
Under/(over) provision in previous years	365	(1,057)
<b>Total charge/ (credit)</b>	<b>242</b>	<b>(2,738)</b>
Deferred Tax	-	-
(Over)/under provision in previous years	-	-
<b>Total deferred tax charge/ (credit)</b>	<b>-</b>	<b>-</b>
<b>Total tax charge/ (credit)</b>	<b>242</b>	<b>(2,738)</b>

At Summer Budget 2015, the government announced legislation setting the Corporation Tax main rate (for all profits except ring fence profits) at 19% for the years starting 1 April 2017, 2018 and 2019 and at 18% for the year starting 1 April 2020. A further reduction to 17% for the year starting 1 April 2020 was announced at Budget 2016.

At Budget 2020, the government announced that the Corporation Tax main rate (for all profits except ring fence profits) for the years starting 1 April 2020 and 2021 would remain at 19%. Deferred taxes at the reporting date have been measured using these expected tax rates and reflected in these statements.

## Notes to the financial statements

### b) Reconciliation of effective tax rate

	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
<b>Loss before tax</b>	<b>(41,481)</b>	<b>(18,136)</b>
Tax at 19.00% (2019: 19.00%)	(7,881)	(3,446)
Expenses not deductible for tax purposes	532	121
Under/ (over) provision in previous year	365	(1,057)
Losses for which no deferred tax asset is recognised	7,485	2,886
Loans to participators charge	(123)	(70)
R&D tax credit	-	(1,611)
Other differences	(136)	439
<b>Total tax charge/ (credit)</b>	<b>242</b>	<b>(2,738)</b>

Deferred tax assets have not been recognised in respect of the following items, because it is not probable that future taxable profit will be available against which the Group can use the benefits therefrom.

### c) Unrecognised deferred tax assets

	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
Deductible temporary differences	-	-
Tax losses carried forward	17,989	9,616
	<b>17,989</b>	<b>9,616</b>

### 12. Debt securities

	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
<b>Debt securities at amortised cost</b>		
UK government Treasury Bills	12,244	243
	<b>12,244</b>	<b>243</b>

Debt securities are expected to be recovered less than 12 months after the reporting date. All debt securities were stage 1 assets under IFRS 9 as at 31 December 2020 and 31 December 2019. There were no impairment provisions in respect of expected credit losses as at 31 December 2020 (31 December 2019: nil).

Notes to the financial statements

13. Loans and advances to customers

a) Analysis of loans and advances to customers	
	Total
	£000
31 December 2020	
Gross loans and advances to customers	238,159
less: loss allowance for impairment losses	(12,714)
<b>Total loans and advances to customers</b>	<b>225,445</b>
Amounts expected to be recovered more than 12 months after the reporting date	148,166
31 December 2019	£000
Gross loans and advances to customers	16,814
less: loss allowance for impairment losses	(304)
<b>Total loans and advances to customers</b>	<b>16,510</b>
Amounts expected to be recovered more than 12 months after the reporting date	12,050

Notes to the financial statements

b) Finance lease receivables

	2020	2019
	£000	£000
<b>Gross amounts receivable:</b>		
Less than one year	7,465	5,340
One to five years	17,236	13,015
More than five years	-	-
<b>Gross investment in finance leases</b>	<b>24,701</b>	<b>18,355</b>
Unearned finance income	(2,803)	(1,775)
<b>Net investment in finance leases</b>	<b>21,898</b>	<b>16,580</b>
Less than one year	6,499	4,537
One to five years	15,399	12,043
More than five years	-	-
<b>Net investment in finance leases</b>	<b>21,898</b>	<b>16,580</b>

Due to the nature of the business undertaken, there are no material unguaranteed residual values for any of the finance leases at 31 December 2020 (31 December 2019: no material residual values).

## Notes to the financial statements

### 14. Property, plant and equipment

	Office Equipment	Fixtures and fittings	Total
	£000	£000	£000
<b>Cost</b>			
Balance at 1 January 2019	5,060	1,383	6,443
Additions	525	6	531
Disposals	(895)	-	(895)
<b>Balance at 31 December 2019</b>	<b>4,690</b>	<b>1,389</b>	<b>6,079</b>
Balance at 1 January 2020	4,690	1,389	6,079
Additions	261	-	261
Disposals	(1,984)	(386)	(2,370)
<b>Balance at 31 December 2020</b>	<b>2,967</b>	<b>1,003</b>	<b>3,970</b>
<b>Accumulated depreciation</b>			
Balance at 1 January 2019	2,164	842	3,006
Depreciation for the year	1,177	324	1,501
Disposals	(886)	-	(886)
<b>Balance at 31 December 2019</b>	<b>2,455</b>	<b>1,166</b>	<b>3,621</b>
Balance at 1 January 2020	2,455	1,166	3,621
Depreciation for the year	1,080	165	1,245
Disposals	(1,939)	(386)	(2,325)
<b>Balance at 31 December 2020</b>	<b>1,596</b>	<b>945</b>	<b>2,541</b>
<b>Carrying amounts</b>			
Balance at 31 December 2018	2,896	541	3,437
Balance at 31 December 2019	2,235	223	2,458
<b>Balance at 31 December 2020</b>	<b>1,371</b>	<b>58</b>	<b>1,429</b>

There were no capitalised borrowing costs related to the acquisition of property and equipment during the year ended 31 December 2020 (31 December 2019: nil). Assets with historic cost of £634k (2019: £334k) have fully depreciated but are still in use.

## Notes to the financial statements

### 15. Leases as a lessee

Information about the leases for which the Group is a lessee is presented below.

#### a) Right-of-use assets (Leasehold Property)

	2020 £000	2019 £000
Balance at 1 January	7,741	8,961
Additions	90	756
Disposals	(174)	-
Depreciation charge for the year	(2,044)	(1,976)
<b>Balance at 31 December</b>	<b>5,613</b>	<b>7,741</b>

#### b) Lease Liabilities

	2020 £000	2019 £000
Balance at 1 January	8,300	9,573
Additions	90	680
Disposals	(150)	-
Interest charged during the year	224	278
Payments during the year	(2,499)	(2,231)
<b>Balance at 31 December</b>	<b>5,965</b>	<b>8,300</b>
Current	2,262	2,252
Non-current	3,703	6,048
<b>Total</b>	<b>5,965</b>	<b>8,300</b>

	2020 £000	2019 £000
<b>Maturity analysis - contractual undiscounted cashflows</b>		
Less than one year	(2,403)	(2,475)
One to five years	(3,849)	(6,303)
More than five years	-	-
<b>Total undiscounted lease liabilities</b>	<b>(6,252)</b>	<b>(8,778)</b>

## Notes to the financial statements

### c) Amounts recognised in the income statement

	2020 £000	2019 £000
Interest on lease liabilities	225	278
Expenses relating to short term leases (included in administrative expenses)	-	62
Expenses relating to low value assets that are not shown above as short-term leases (included in administrative expenses)	-	14
Expense relating to variable lease payments not included in lease liabilities (included in administrative expenses)	-	-

### d) Amounts recognised in the statement of cashflows

	2020 £000	2019 £000
Total cash outflows for leases	2,522	2,231

## Notes to the financial statements

### 16. Intangible assets

	Purchased software	Internally generated	Banking licence	Total
	£000	£000	£000	£000
<b>Cost</b>				
Balance at 1 January 2019	693	8,547	1,686	10,926
Additions	-	4,819	177	4,996
<b>Balance at 31 December 2019</b>	<b>693</b>	<b>13,366</b>	<b>1,863</b>	<b>15,922</b>
Balance at 1 January 2020	693	13,366	1,863	15,922
Additions	106	3,558	110	3,774
Impairment / write down	-	(2,228)	-	(2,228)
<b>Balance at 31 December 2020</b>	<b>799</b>	<b>14,696</b>	<b>1,973</b>	<b>17,468</b>
<b>Accumulated amortisation</b>				
Balance at 1 January 2019	405	2,515	-	2,920
Amortisation for the year	212	1,480	-	1,692
<b>Balance at 31 December 2019</b>	<b>617</b>	<b>3,995</b>	<b>-</b>	<b>4,612</b>
Balance at 1 January 2020	617	3,995	-	4,612
Impairment / write down	-	(988)	-	(988)
Amortisation for the year	76	2,662	-	2,738
<b>Balance at 31 December 2020</b>	<b>693</b>	<b>5,669</b>	<b>-</b>	<b>6,362</b>
<b>Carrying amounts</b>				
Balance at 1 January 2019	288	6,032	1,686	8,006
Balance at 31 December 2019	76	9,371	1,863	11,310
<b>Balance at 31 December 2020</b>	<b>106</b>	<b>9,027</b>	<b>1,973</b>	<b>11,106</b>

Notes to the financial statements

17. Provisions

	Total
	£000
As at 1 January 2019	322
Provided/ (released) during the year	3,857
Utilised during the year	(2,005)
Balance at 31 December 2019	2,174
Balance at 1 January 2020	2,174
Provided/ (released) during the year	(707)
Utilised during the year	(90)
Balance at 31 December 2020	1,377

Provisions include £749k for dilapidations of leased properties (2019: £780k). This is the cost expected to be incurred to return the properties back to the landlords in their initial state. The figure is an estimate based on the incurred costs to furnish the properties on commencement of each lease. £476k relates to operational risk events in relation to loans disbursed in the year (2019: £574k) £152k relates to FCA levy due (2019: nil), with the remaining 2019 amount representing contractual commitments to investors based on agreements and loans already disbursed on their behalf.

18. Other liabilities

	2020	2019
	£000	£000
Other taxation and social security	941	982
Trade creditors	283	665
Derivative	148	-
Expected credit losses on undrawn credit card balances	180	-
Other payables	945	477
	2,497	2,124

Derivative relates to the fair value of yield commitments payable to institutional P2P investors. Further details on fair values can be found in note 25.

Notes to the financial statements

19. Share capital

The balance on the share capital account represents the aggregate nominal value of all preferred and ordinary shares in issue, the nominal value of the classes of share are:

Series 1 preferred shares: £0.005  
Series 2A, B and C preferred shares: £0.005  
Series 3 preferred shares: £0.01

Ordinary shares: £0.01  
Ordinary A shares: £0.01  
Ordinary B shares: £0.005  
Ordinary C shares: £0.01

The balance on the share premium account represents the subscription amounts received in excess of the nominal value of the preferred and ordinary shares.

Authorised, issued and fully paid up shares	Ordinary Shares	Ordinary A	Ordinary B	Ordinary C	Series 1 & 2 Preferred Shares	Series 3 preferred Shares	Total number
Balance at 1 January 2019	19,370,620	835,000	13,736,449	-	13,736,449	4,089,251	51,767,769
Issue of Share Capital	876,879	-	-	-	-	-	876,879
Balance at 31 December 2019	20,247,499	835,000	13,736,449	-	13,736,449	4,089,251	52,644,648
Issue of Share Capital	7,369,326	-	-	44,169,611	-	-	51,538,937
Balance at 31 December 2020	27,616,825	835,000	13,736,449	44,169,611	13,736,449	4,089,251	104,183,585
Allotted and fully paid up	27,616,825	835,000	13,736,449	44,169,611	13,736,449	4,089,251	104,183,585

	Ordinary Shares	Ordinary A	Ordinary B	Ordinary C	Series 1 & 2 Preferred Shares	Series 3 preferred Shares	Shareholders' Equity
	£000	£000	£000	£000	£000	£000	£000
Balance at 1 January 2019	194	8	69	-	68	41	380
Issue of share capital	9	-	-	-	-	-	9
Balance at 31 December 2019	203	8	69	-	68	41	389
Issue of share capital	73	-	-	442	-	-	515
Balance at 31 December 2020	276	8	69	442	68	41	904

Notes to the financial statements

During 2020 shares were issued to existing investors and in relation to share-based compensation a total of 51.5m ordinary and ordinary C shares were issued for a total consideration of £140.3m

Ordinary shares issued as part of the EMI scheme closure are treated as a continuation of the option and omitted from shares and share capital above. The total as at 31 December 2020 was 753,914 (2019: 1,099,425).

Dividends

Dividends may be declared pro-rata and pari-passu across all shareholders or a specified class(es) of shareholders save that:

- Ordinary A share dividends are subject to a per-share cap of 0.0084% of any dividend payable per ordinary share and an overall cap of 5% annual yield of the par value of all issued Ordinary A shares; and
- Where a dividend is declared in respect of both (i) Ordinary B shares and (ii) Series1 and/or Series 2 preferred shares then any dividend payable on a Series 1 or Series 2 preferred share is subject to a cap of 0.001% of any dividend payable per share and an aggregate cap of £1 per annum in respect of Series 1 preferred shares and £1 per annum in respect of Series 2 preferred shares.

Liquidation preference

On distribution of assets on a liquidation:

1. Series 3 preferred shares rank ahead of holders of Series 2, Series 1 and ordinary shares in an amount equal to the greater of (i) their initial investment in those Series 3 shares or (ii) such amount as would have been payable for their Series 3 shares if converted to ordinary shares; then
2. On completion of any distribution to holders of Series 3 preferred shares, holders of Series 2 preferred shares rank ahead of holders of Series 1 preferred shares and ordinary shares in an amount up to the value of their initial investment in those

Series 2 shares; then

3. On completion of any distribution to holders of Series 2 preferred shares, holders of Series 1 preferred shares rank ahead of holders of ordinary shares in an amount up to the value of their initial investment in those Series 1 shares; then
4. On completion of any distribution to the preferred shareholders, any remaining proceeds would be distributed:
  - first, on a pari passu pro rata basis among the holders of the Deferred Shares (if any) subject to a cap of 0.1% of the nominal value of such shares;
  - second, on a pari passu pro rata basis among the holders of the Ordinary A shares subject to a cap of 6.4% of the nominal value of such shares;
  - third, on a pari passu pro rata basis among the holders of the Ordinary shares (including the Ordinary B shares)

20. Ultimate parent undertaking and controlling party

Following the change in control in June 2020, the Directors consider IAG Silverstripe Partners LLC (incorporated in the United States of America) to be the ultimate controlling party. Prior to this there was no ultimate parent and controlling party.

Notes to the financial statements

21. Share based payments

Employees receive equity option instruments (share options) of the parent as consideration for their services. These equity option instruments are granted by Zopa Group Limited. The Group operates six equity-settled share-based compensation plans, the 2005 Stock Incentive Plan, 2015 Stock Incentive Plan and the Non-Tax Advantaged Share Option Plan, together the Option Plans. Additionally, the Zopa Group Limited Company Share Option Plan (CSOP), the Zopa Group Limited Joint Share Ownership Plan (JSOP) and the Management Incentive Plan (MIP). All instruments vest over time, have a maximum life of 10 years and require a continuous relationship with the Group.

The fair value of the services received in exchange for the grant of the equity settled options is expensed, each year, based on the Group's estimate of shares that will eventually vest and the value of the options as at the date of grant.

Set out below are the range of exercise prices and the weighted average lifetime of outstanding share options held by employees of the Group at the end of the year.

	Option Plans	CSOP	JSOP	MIP	Total	Weighted Average Exercise Price
Balance at 1 January 2019	1,363,190	1,225,358	1,374,929	-	3,963,477	3.1941
Granted during 2019	-	350,396	64,198	-	414,594	4.9501
Exercised during 2019	(239,305)	-	-	-	(239,305)	0.8980
Lapsed during 2019	(42,529)	(216,636)	(22,401)	-	(281,566)	4.2479
Balance at 31 December 2019	1,081,356	1,359,118	1,416,726	-	3,857,200	3.6703
Granted during 2020	197,145	-	3,500	6,657,500	6,858,145	3.5290
Exercised during 2020	(348,511)	(1,415)	-	-	(349,926)	0.8230
Modified instruments	884,989	(900,503)	15,514	-	-	n/a
Lapsed during 2020	(102,225)	(457,200)	(84,133)	-	(643,558)	3.9800
Balance at 31 December 2020	1,712,754	-	1,351,607	6,657,500	9,721,861	3.4357
Range of exercise prices (£)	0.05-6.00	-	3.00-6.74	3.50	0.05-6.74	n/a
Weighted average remaining contractual life (years)	6.3	-	7.4	10.0	9.0	n/a
Exercisable options at 31 December 2020	1,324,375	-	1,155,831	319,625	2,799,831	3.3701

Notes to the financial statements

For options granted during the year the weighted average fair value of the options at the measurement date was £0.4087 (2019: £2.1108)

For share options exercised during the year, the weighted-average share price at the date of exercise was £3.1696 (2019: £8.5900).

The share-based payment charge for the year materially represents the value of services provided to the Group

	2020	2019
Expected volatility	30-42%	35%
Expected life (in years)	5	5
Weighted average share price	£3.1696	£8.5900
Exercise price	£3.50-4.50	£4.49-6.75
Expected dividends	None	None
Risk free rate	(0.1%) - 0.4%	0.4-0.6%

Expected volatility has been set based on the volatility of similar listed companies. Non-vesting conditions are factored into the calculation of fair value at the measurement date.

During the year, following the change of control in June, the CSOP scheme closed and eligible awards were replaced. The replacement instruments mirror the vesting schedules and size of the previous awards and are treated as a modification. The fair value of the original award and of the replacement are assessed at the modification date using the same approach as for

by staff whom are part of the equity settled plans disclosed above.

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. Inputs to the model are shown in the table below:

new grants. Where the modification is beneficial the incremental fair value is recognised over the remaining vesting period. The incremental fair value of modified awards was £110k (2019: £nil)

The share-based payment charge in the year was £1,157k (2019: £1,568k).

Notes to the financial statements

22. Commitments and contingencies

At 31 December 2020, the Bank had undrawn commitments to lend of £5,534k (31 December 2019: £39k). These relate to irrevocable lines of credit granted to customers (undrawn credit card limits).

	2020	2019
	£000	£000
Purchase commitments		
Under 1 year	3,569	1,986
Between 1 and 5 years	5,807	2,691
Over 5 years	39	39
	9,415	4,716

The Group has an unrecognised contingent liability in relation to an ongoing legal dispute regarding commission payable on the June 2020 capital injection. The amount of the liability cannot be reliably measured and payment is not probable hence no amount has been recognised as at 31 December 2020 (2019: none).

23. Related parties

Related party transactions occurred in relation to certain key management personnel, defined as Directors of the Group, who are provided with a Zopa credit card. Included in loans and advances to customers at 31 December 2020 is £2k relating to credit cards issued to Directors (2019: £2k). The credit cards are provided on the same terms as the other credit cards offered by the Group to non-related parties.

During the year, £217k of services were sold to other related parties (2019: £396k). £62k of these were outstanding at year ended 31 December 2020 (2019: £140k). £20k of services were purchased from other related parties (2019: £6k). Of these, £1k was outstanding at year end (2019: £2k).

Note 15 provides information on financial commitments where the Group is a lessee as per IFRS 16 leases. At the end of the reporting period, the future minimum lease payments under non-cancellable contracts outside the scope of IFRS 16 leases, are payable as follows:

24. Financial risk management

(a) Credit risk

Credit risk arises from when the Group's borrowers or other counterparties default on their loans or obligations. The credit quality of the financial assets has been assessed and expected credit losses recognised.

Counterparty credit risk arises from the Group's non-consumer counterparties with whom Zopa has cash. For deposits at commercial banks, the financial institutions considered need to have a credit rating above BBB-. The financial stability of partners is assessed prior to and at regular intervals during the relationship. Where available external credit rating of partners is monitored.

## Notes to the financial statements

### Maximum exposure to credit risk

The following table contains an analysis of the Group's maximum exposure to credit risk on financial assets.

	31 December 2020	31 December 2019
	£000	£000
Cash and balances with other banks	63,392	7,221
Debt securities	12,244	243
Loans and advances to customers	238,159	16,814
Other assets	5,062	5,937
<b>Total</b>	<b>318,857</b>	<b>30,215</b>
Undrawn credit limits	5,534	39
<b>Gross credit risk exposure</b>	<b>324,391</b>	<b>30,254</b>
Less: allowance for credit losses	(12,714)	(304)
ECL for undrawn amounts	(180)	-
<b>Net credit risk exposure</b>	<b>311,497</b>	<b>29,950</b>

The Group holds collateral for loans and advances to customers under hire purchase agreements in order to mitigate credit risk. The collateral held is the asset, motor vehicle, which is subject to the hire purchase agreement. No collateral is held against unsecured loans.

### Loans and advances to customers

The table below provides analysis of loans and advances to customers.

	31 December 2020	31 December 2019
	£000	£000
Gross loans and advances to customers	238,159	16,814
less: loss allowance for impairment losses	(12,714)	(304)
<b>Total loans and advances to customers</b>	<b>225,445</b>	<b>16,510</b>
Amounts expected to be recovered more than 12 months after the reporting date	148,166	12,050

## Notes to the financial statements

### Loss allowance

The loss allowance recognised in the year is impacted by a variety of factors. The following tables explain the changes in the loss allowance between the beginning and the end of the annual period.

	Stage 1	Stage 2	Stage 3	Total
	£000	£000	£000	£000
<b>Loss allowance 1 January 2020</b>	<b>109</b>	<b>72</b>	<b>123</b>	<b>304</b>
<i>Changes reflected in impairment loss</i>				
Transfer from Stage 1 to Stage 2	(564)	3,215	-	2,651
Transfer from Stage 1 to Stage 3	(24)	-	145	121
Transfer from Stage 2 to Stage 1	213	(706)	-	(493)
Transfer from Stage 3 to Stage 1	16	-	(67)	(51)
New financial asset originations/purchases	10,826	333	108	11,267
Changes in PD/ LGD/ EAD	(306)	498	(28)	164
Change in model risk parameters	(180)	(109)	3	(286)
Discount Unwind	-	-	(14)	(14)
Derecognition/maturity of financial assets	(446)	(282)	173	(555)
Recoveries	-	-	(23)	(23)
<b>Net P&amp;L charge during the year</b>	<b>9,535</b>	<b>2,949</b>	<b>297</b>	<b>12,781</b>
<i>Other movements with no Profit and Loss impact</i>				
Write-offs	-	-	(394)	(394)
Transfer from Stage 2 to Stage 3	-	(474)	474	-
<b>Loss allowance at 31 December 2020</b>	<b>9,644</b>	<b>2,547</b>	<b>523</b>	<b>12,714</b>

## Notes to the financial statements

	Stage 1	Stage 2	Stage 3	Total
	£000	£000	£000	£000
<b>Loss allowance 1 January 2019</b>	<b>52</b>	<b>64</b>	<b>207</b>	<b>323</b>
<i>Changes reflected in impairment loss</i>				
Transfer from Stage 1 to Stage 2	(29)	173	-	<b>144</b>
Transfer from Stage 1 to Stage 3	-	-	15	<b>15</b>
Transfer from Stage 2 to Stage 1	14	(54)	-	<b>(40)</b>
New financial asset originations/purchases	345	4	-	<b>349</b>
Changes in PD/ LGD/ EAD	-	(53)	106	<b>53</b>
Change in model risk parameters	-	6	8	<b>14</b>
Discount Unwind	-	-	(30)	<b>(30)</b>
Derecognition/maturity of financial assets	(273)	(11)	(26)	<b>(310)</b>
Recoveries	-	-	(15)	<b>(15)</b>
<b>Net P&amp;L charge during the year</b>	<b>57</b>	<b>65</b>	<b>58</b>	<b>180</b>
<i>Other movements with no Profit and Loss impact</i>				
Write-offs	-	-	(214)	<b>(214)</b>
Transfer from Stage 2 to Stage 3	-	(57)	57	<b>-</b>
<b>Loss allowance at 31 December 2019</b>	<b>109</b>	<b>72</b>	<b>123</b>	<b>304</b>

## Notes to the financial statements

The following table explains changes in the gross carrying amount of the portfolio of loans and advances to customers helping explain their significance to the changes in the loss allowance.

	Stage 1	Stage 2	Stage 3	Total
	£000	£000	£000	£000
<b>Gross carrying amount at 1 January 2020</b>	<b>15,308</b>	<b>1,348</b>	<b>158</b>	<b>16,814</b>
New financial asset originations/purchases	253,660	4,670	191	<b>258,521</b>
Repayments/derecognition of financial assets	(33,822)	(2,966)	(186)	<b>(36,974)</b>
Transfer from Stage 1 to Stage 2	(12,241)	12,241	-	<b>-</b>
Transfer from Stage 1 to Stage 3	(229)	-	229	<b>-</b>
Transfer from Stage 2 to Stage 1	7,226	(7,226)	-	<b>-</b>
Transfer from Stage 2 to Stage 3	-	(713)	713	<b>-</b>
Transfer from Stage 3 to Stage 1	122	-	(122)	<b>-</b>
Write offs	-	-	(202)	<b>(202)</b>
<b>Gross carrying amount at 31 December 2020</b>	<b>230,024</b>	<b>7,354</b>	<b>781</b>	<b>238,159</b>
	Stage 1	Stage 2	Stage 3	Total
	£000	£000	£000	£000
<b>Gross carrying amount at 1 January 2019</b>	<b>7,267</b>	<b>438</b>	<b>255</b>	<b>7,960</b>
New financial asset originations/purchases	<b>24,856</b>	<b>117</b>	<b>6</b>	<b>24,979</b>
Repayments/derecognition of financial assets	(15,543)	(309)	(59)	<b>(15,911)</b>
Transfer from Stage 1 to Stage 2	(1,872)	1,872	-	<b>-</b>
Transfer from Stage 2 to Stage 1	600	(600)	-	<b>-</b>
Transfer from Stage 2 to Stage 3	-	(170)	170	<b>-</b>
Write offs	-	-	(214)	<b>(214)</b>
<b>Gross carrying amount at 31 December 2019</b>	<b>15,308</b>	<b>1,348</b>	<b>158</b>	<b>16,814</b>

The Group does not enter into any netting or offsetting arrangements with counterparties.

Notes to the financial statements

Internal rating scales

The credit quality of loans and advances to customers are analysed internally in the following tables.

31 December 2020	Stage 1	Stage 2	Stage 3	Total
	£000	£000	£000	£000
Lowest risk	128,990	731	101	129,822
Mid-risk	74,094	3,522	339	77,955
Highest risk	26,940	3,101	341	30,382
Total	230,024	7,354	781	238,159

31 December 2019	Stage 1	Stage 2	Stage 3	Total
	£000	£000	£000	£000
Lowest risk	6,620	176	-	6,796
Mid-risk	5,106	536	41	5,683
Highest risk	3,582	636	117	4,335
Total	15,308	1,348	158	16,814

Collateral held as security for financial assets

The Group holds collateral against loans and advances to customers for the auto hire purchase portfolio, in the form of motor vehicles. An analysis by loan-to-value (LTV) ratio is presented below. The value of

collateral used in determining the LTV ratios has been estimated based upon the asset valuation performed at origination.

31 December 2020	Stage 1	Stage 2	Stage 3	Total
	£000	£000	£000	£000
Greater than 100%	5,347	510	79	5,936
90% to 100%	6,869	1,046	240	8,155
80% to 90%	3,439	362	85	3,886
70% to 80%	1,771	249	-	2,020
Below 70%	1,676	189	36	1,901
Total	19,102	2,356	440	21,898

Notes to the financial statements

31 December 2019	Stage 1	Stage 2	Stage 3	Total
	£000	£000	£000	£000
Greater than 100%	2,199	213	17	2,429
90% to 100%	5,605	700	47	6,352
80% to 90%	3,042	229	4	3,275
70% to 80%	1,923	81	-	2,004
Below 70%	2,350	100	-	2,450
Total	15,119	1,323	68	16,510

The Group does not take physical possession of properties or other assets held as collateral and uses external agents to realise the value immediately after the loan default event, a voluntary surrender of the asset or a voluntary termination of the loan. Any surplus funds are returned to the borrower or are otherwise dealt with in accordance with appropriate insolvency regulations.

No collateral is held in respect of retail credit cards, overdrafts, or unsecured personal loans.

Payment plans (Forbearance)

The Group encourages borrowers who are experiencing financial difficulties to draw up an affordable payment plan to pay down their arrears over time. Payment plans may offer temporary relief in the form of reductions to contractual payments.

At 31 December 2020, total forborne loans were £632k (31 December 2019: £58k), of which £92k were impaired (31 December 2019 : £37k). At 31 December 2020, the allowance for loan losses held in respect of forborne loans was £299k (2019: £35k).

(b) Treasury counterparty credit risk

Credit risk exists where we have acquired securities or placed cash deposits with other financial institutions as part of our treasury portfolio of assets. We consider the credit risk of treasury assets to be relatively low. No assets are held for speculative purposes or actively traded. Certain liquid assets are held as part of our liquid assets buffer. At 31 December 2020 all treasury assets were in Stage 1. The table below sets out information about the credit quality of treasury financial assets:

	31 December 2020	31 December 2019
	£000	£000
Loans and advances to banks		
Rated A+ to A-	63,304	7,221
Unrated	-	-
High quality liquid assets included in the liquid assets buffer		
Rated AAA	12,244	243

## Notes to the financial statements

### (c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. This is limited by managing the maturity profile of its assets and liabilities to avoid material liquidity gaps; holding

sufficient liquidity resources; reducing loan disbursements and raising deposit rates to increase inflows to meet its liquidity needs, and minimum regulatory requirements, in both a base case and a stress case scenario. The liquidity position is monitored on an ongoing basis.

### Liquid assets

	31 December 2020	31 December 2019
	£000	£000
Unencumbered cash and bank balances	63,304	7,137
UK Treasury bills and Money Market Funds	12,244	243
<b>Total liquid assets</b>	<b>75,548</b>	<b>7,380</b>

The table below presents the contractual residual maturities of the assets and liabilities on the balance sheet:

Assets	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
31 December 2020	£000	£000	£000	£000	£000	£000
Cash at Central Bank	35,024	-	-	-	-	35,024
Cash and balances with other banks	28,280	-	88	-	-	28,368
Debt securities	12,244	-	-	-	-	12,244
Loans and advances to customers	3,626	326	7,473	213,295	725	225,445
Other assets	2,504	596	2,581	19,948	-	25,629
<b>Total</b>	<b>81,678</b>	<b>922</b>	<b>10,142</b>	<b>233,243</b>	<b>725</b>	<b>326,710</b>

## Notes to the financial statements

Liabilities	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
31 December 2020	£000	£000	£000	£000	£000	£000
Amounts due to banks	162	-	-	-	-	162
Amounts due to customers	-	-	119,904	57,884	35	177,823
Lease liabilities	-	565	1,697	3,703	-	5,965
Other liabilities	1,766	4,909	370	1,643	-	8,688
<b>Total</b>	<b>1,928</b>	<b>5,474</b>	<b>121,971</b>	<b>63,230</b>	<b>35</b>	<b>192,638</b>
Assets	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
31 December 2019	£000	£000	£000	£000	£000	£000
Cash and balances with other banks	7,221	-	-	-	-	7,221
Debt securities	243	-	-	-	-	243
Loans and advances to customers	194	14	78	16,224	-	16,510
Other assets	1,465	2,598	4,552	20,594	1,863	31,072
<b>Total</b>	<b>9,123</b>	<b>2,612</b>	<b>4,630</b>	<b>36,818</b>	<b>1,863</b>	<b>55,046</b>

Liabilities	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
31 December 2019	£000	£000	£000	£000	£000	£000
Amounts due to banks	21	-	-	-	-	21
Lease liabilities	2	555	1,695	6,048	-	8,300
Other liabilities	2,214	6,225	128	1,623	-	10,190
<b>Total</b>	<b>2,237</b>	<b>6,780</b>	<b>1,823</b>	<b>7,671</b>	<b>-</b>	<b>18,511</b>

Notes to the financial statements

The following is an analysis of gross undiscounted contractual cash flows payable under financial liabilities. The analysis has been prepared on the basis of the earliest date at which contractual repayments may take place.

Liabilities	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
31 December 2020	£000	£000	£000	£000	£000	£000
Amounts due to banks	162	-	-	-	-	162
Amounts due to customers	169	323	122,172	60,459	37	183,160
Lease liabilities	18	586	1,810	3,888	-	6,302
Other liabilities	1,766	4,909	370	1,643	-	8,688
Total	2,115	5,818	124,352	65,990	37	198,312

Assets	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
31 December 2019	£000	£000	£000	£000	£000	£000
Amounts due to banks	21	-	-	-	-	21
Lease liabilities	23	596	1,856	6,303	-	8,778
Other liabilities	2,471	2,729	3,354	1,600	-	10,154
Total	2,515	3,325	5,210	7,903	-	18,953

d) Market risk

Market risk is the risk of a reduction in earnings or the economic value of equity, caused by changes in the prices of financial instruments. The Group does not have a trading book. The Group's market risk consists primarily of exposure to changes in interest rates, and change in prices of marketable securities held in liquid assets buffer. Interest rate risk is the risk that the net value of, or net income arising from, the firm's

assets and liabilities is impacted as a result of changes to interest rates. Financial Assets are limited to fixed interest rate loans and advances to customers, UK Government T-Bills and Money Market Funds (MMF) and loans and advances to banks. The Group has no financial assets or liabilities that reference LIBOR.

Notes to the financial statements

The impact of a two percentage point shift in the interest yield curve is as follows:

	31 December 2020	31 December 2019
	£000	£000
2% shift up of the yield curve	(4,591)	(574)
2% shift down of the yield curve	5,013	618

e) Capital risk and management

Capital risk is the risk that the Group has insufficient capital to cover regulatory requirements and/or support its growth plans. The Group's objective when managing capital is to safeguard its ability to continue as a going concern. Financial performance is regularly reviewed by various committees in the business, focusing on the

amount of regulatory capital needed. This is especially important as the business continues to expand. The process includes the monitoring of the annual budget and forecast process from which cash flow and capital assessments and projections are made. Capital consists of shareholders' equity.

Notes to the financial statements

25. Financial instruments and fair values

The following table summarises the classification and carrying amounts of the Group’s financial assets and liabilities:

31 December 2020	At FVPL	At FVOCI	At amortised cost	Total
		£000	£000	£000
Cash at central bank	-	-	35,024	35,024
Cash and balances with other banks	-	-	28,368	28,368
Debt securities	-	-	12,244	12,244
Loans and advances to customers	-	59	225,386	225,445
Other assets	-	-	5,062	5,062
Total financial assets	-	59	306,084	306,143
Amounts due to banks	-	-	162	162
Customers' accounts	-	-	177,823	177,823
Derivatives held for risk management	97	-	-	97
Other liabilities	148	-	2,169	2,317
Total financial liabilities	245	-	180,154	180,399
31 December 2019				
Cash and balances with other banks	-	-	7,221	7,221
Debt securities	-	-	243	243
Loans and advances to customers	-	184	16,326	16,510
Other assets	-	-	2,373	2,373
Total financial assets	-	184	26,163	26,347
Amounts due to banks	-	-	21	21
Other liabilities	-	-	2,124	2,124
Total financial liabilities	-	-	2,145	2,145

Notes to the financial statements

There were no reclassifications of financial assets or liabilities during the year ended 31 December 2020.

Derivatives held for risk management relate to foreign currency forward contracts to hedge against foreign exchange risk with level 2 fair values based on hierarchy definitions below. The derivative included in other liabilities is classified as FVPL with a level 3 fair value. FVOCI loans and advances to customers relate to a portfolio classified as held to collect and sell with a level 2 fair value.

The Bank uses a fair value hierarchy which reflects the significance of the inputs used in making the measurements. There are three levels to the hierarchy as follows:

- **Level 1:** quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date;
- **Level 2:** inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). A Level 2 input must be

observable for substantially the full term of the instrument. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves observable at commonly quoted intervals, implied volatilities and credit spreads. Assets and liabilities classified as Level 2 have been valued using models whose inputs are observable in an active market; and

- **Level 3:** inputs for the asset or liabilities that are not based on observable market data (unobservable inputs). The derivative included in other liabilities is level 3. A discounted cash flow model is used to estimate its value.

The below table shows a comparison of the carrying amounts per the statement of financial position, and the fair values of those financial instruments measured at amortised cost:

	2020		2019	
	Carrying amount	Fair value	Carrying amount	Fair value
31 December	£000	£000	£000	£000
Cash at central bank	35,024	35,024	-	-
Cash and balances with other banks	28,368	28,368	7,221	7,221
Debt securities	12,244	12,244	243	243
Loans and advances to customers	225,386	234,111	16,326	15,583
Other assets	5,062	5,062	2,373	2,373
Total financial assets (at amortised cost)	306,084	314,809	26,163	25,420
Amounts due to banks	162	162	21	21
Customers' accounts	177,823	177,823	-	-
Other liabilities	2,169	2,169	2,124	2,124
Total financial liabilities (at amortised cost)	180,154	180,154	2,145	2,145

Notes to the financial statements

Key considerations in the calculation of the disclosed fair values for those financial assets and liabilities carried at amortised cost include the following:

(a) Cash and balances at central banks

These represent amounts with an initial maturity of less than three months and as such, their carrying value is considered a reasonable approximation of their fair value.

(b) Cash and balances with other banks

These represent either amounts with an initial maturity of less than three months or longer term variable rate deposits placed with banks, where adjustments to fair value in respect of the credit risk of the counterparty are not considered necessary. Accordingly, the carrying value of the assets is considered to be not materially different from their fair value.

(c) Loans and advances to customers

For fixed rate lending products, the Bank has estimated the fair value of the fixed rate interest cash flows by discounting those cash flows by the current appropriate market reference rate used for pricing equivalent products plus the credit spread attributable to the borrower. Expected credit losses as determined for IFRS 9 purposes are reflected in the fair value amounts.

(d) Other assets and liabilities

These represent short term receivables and payables and as such, their carrying value is not considered to be materially different from their fair value.

(e) Amounts due to banks

These relate to payments due in less than 30 days to the credit card provider and the carrying amount is deemed to be a reasonable approximation to their fair value.

The Group does not apply any accounting offsetting between financial assets and financial liabilities.

26. Cash flows from operating activities

(a) Operating assets

	2020	2019
	£000	£000
Increase in loans and advances to customers	(208,935)	(8,873)
Decrease / (increase) in other operating assets	341	(194)
<b>Total increase in operating assets</b>	<b>(208,594)</b>	<b>(9,067)</b>

(b) Non-cash and other items

	2020	2019
	£000	£000
Depreciation and amortisation	6,027	5,169
Impairment of intangible asset	1,240	-
Increase in derivatives held for risk	97	-
(Decrease) / increase in provisions	(797)	1,852
Other	1,208	306
<b>Total non-cash and other items</b>	<b>7,775</b>	<b>7,327</b>

27. Post balance sheet events

In March 2021 the Group issued 6.3m ordinary C shares to existing shareholders for cash consideration of £20m

In April 2021, P2PS Cars Limited, a subsidiary of Zopa Limited was dissolved.

In June 2021 the Company completed a simplification of the share structure including a limited buyback of 833,000 Ordinary A shares. Following the simplification only Ordinary Shares and Series 3 Preferred Shares exist.

# Zopa Group Limited

## Company Financial Statements

### For the year ended 31 December 2020



### Company statement of financial position as at 31 December 2020

31 December 2020		31 December 2020	31 December 2019
	Note	£000	£000
<b>Assets</b>			
Cash and balances with other banks		1,400	774
Debt securities	4	1	-
Amounts due from other Group undertakings	5	27	3,044
Prepayments and accrued income		174	103
Current tax asset		188	65
Investment in Subsidiaries	7	208,675	76,016
<b>Total Assets</b>		<b>210,465</b>	<b>80,002</b>
<b>Liabilities</b>			
Amounts due to other Group undertakings	6	3,160	725
Accruals and deferred income		330	1,928
Other liabilities		17	17
<b>Total Liabilities</b>		<b>3,507</b>	<b>2,670</b>
<b>Equity</b>			
Share capital		904	389
Share premium		195,604	57,951
Other reserves		66,674	65,517
Accumulated losses		(56,224)	(46,525)
<b>Total Equity</b>		<b>206,958</b>	<b>77,332</b>
<b>Total Liabilities and Equity</b>		<b>210,465</b>	<b>80,002</b>

The notes on pages 101-114 form part of these financial statements.

The financial statements of Zopa Group Limited (Registered Number 10624955) were approved by the Board of Directors on 29 July 2021 and were signed on its behalf by:

DocuSigned by:  
*Jaidev Janardana*  
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**Jaidev Janardana**  
Director

Date: 7/9/2021

## Company statement of changes in equity as at 31 December 2020

	Share Capital	Share Premium	Other reserves	Accumulated loses	Shareholders' Equity
	£000	£000	£000	£000	£000
<b>Balance at 1 January 2019</b>	<b>380</b>	<b>56,342</b>	<b>63,949</b>	<b>(1,314)</b>	<b>119,357</b>
<b>Comprehensive expense</b>					
Loss for the year	-	-	-	(45,211)	<b>(45,211)</b>
<b>Total comprehensive expense</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(45,211)</b>	<b>(45,211)</b>
<b>Transactions with owners</b>					
Issue of share capital	9	1,609	-	-	<b>1,618</b>
Share based payment charge	-	-	1,568	-	<b>1,568</b>
<b>Total transactions with owners</b>	<b>9</b>	<b>1,609</b>	<b>1,568</b>	<b>-</b>	<b>3,186</b>
<b>Balance at 31 December 2019</b>	<b>389</b>	<b>57,951</b>	<b>65,517</b>	<b>(46,525)</b>	<b>77,332</b>
Loss for the year	-	-	-	(9,633)	<b>(9,633)</b>
<b>Total comprehensive expense</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(9,633)</b>	<b>(9,633)</b>
<b>Transactions with owners</b>					
Issue of share capital (net of transaction costs)	515	137,653	-	-	<b>138,168</b>
Purchase of treasury shares	-	-	-	(66)	<b>(66)</b>
Share based payment charge	-	-	1,157	-	<b>1,157</b>
<b>Total transactions with owners</b>	<b>515</b>	<b>137,653</b>	<b>1,157</b>	<b>(66)</b>	<b>139,259</b>
<b>Balance at 31 December 2020</b>	<b>904</b>	<b>195,604</b>	<b>66,674</b>	<b>(56,224)</b>	<b>206,958</b>

The notes on pages 104-114 form part of these financial statements.

Other Reserves consist of a Merger Reserve created in 2017 by a corporate reorganisation, a Share Based Payments Reserve and a Currency Translation Reserve.

Transactions costs accounted for during the year as a deduction from share premium totalled £2,201k (2019: £2,504k). Further information in relation to share capital and share based payments can be found in note 19 to the consolidated financial statements and note 21 to the consolidated financial statements respectively.

## Company statement of cash flows as at 31 December 2020

	31 December 2020	31 December 2019
	£000	£000
<b>Cash flows from operating activities</b>		
Loss before taxation	<b>(9,755)</b>	(45,282)
Adjustments for:		
Change in operating assets	(194)	116
Change in operating liabilities	(1,598)	1,088
Non-cash and other items	8,443	43,922
Taxation paid	-	(397)
<b>Net cash used in operating activities</b>	<b>(3,104)</b>	<b>(553)</b>
<b>Cash flows from investing activities</b>		
Investment in subsidiaries	(138,159)	(15,000)
Interest received on debt securities	-	32
<b>Net cash used in investing activities</b>	<b>(138,159)</b>	<b>(14,968)</b>
<b>Cash flows from financing activities</b>		
Issue of new shares (net of transaction costs)	138,102	1,618
Change in intercompany loan balances	3,788	(317)
<b>Net cash provided by financing activities</b>	<b>141,890</b>	<b>1,301</b>
<b>Net increase/ (decrease) in cash and cash equivalents</b>	<b>627</b>	<b>(14,220)</b>
Cash and cash equivalents at the start of the year	774	14,994
Movement during the year	627	(14,220)
<b>Cash and cash equivalents at the end of the year</b>	<b>1,401</b>	<b>774</b>
<b>Cash and cash equivalents consists of:</b>		
Cash and balances with other banks	1,400	774
Debt securities	1	-
<b>Cash and cash equivalents at the end of the year</b>	<b>1,401</b>	<b>774</b>

The notes on pages 104-114 form part of these financial statements.

Notes to the Company financial statements

1. Basis of preparation

(a) Accounting basis

The Company is incorporated and domiciled in England & Wales in the United Kingdom under the Companies Act 2006. The Company is a private company and is limited by shares. The address of the registered office is detailed on page 3.

These financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 ("IFRS") and the applicable legal requirements of the Companies Act 2006. The financial statements have been prepared under the historical cost convention or at fair value for financial instruments measured at fair value through other comprehensive income.

Details of new and amended standards adopted by the Company and new standards, amendments and interpretations issued but not mandatory effective before 31 December can be found in note 1 to the Consolidated financial statements. Principal risks and uncertainties, including capital risk, are disclosed in the strategic report (pages 28-33).

(b) Going concern

As detailed in note 1c to the consolidated financial statements, the Directors have performed an assessment of the appropriateness of the going concern basis. The Directors consider that it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

(c) Income statement

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own income statement. The loss after tax of the Company for the year ended 31 December 2020 was

£9.6m (2019: £45.2m).

2. Significant accounting policies

The significant accounting policies adopted are set out in note 2 to the consolidated financial statements, with any additional accounting policies relevant to the parent company set out below.

(a) 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 at the amount by which the asset's carrying amount exceeds its recoverable amount.

(b) Share based payments

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

The fair value of options granted is recognised as an investment in subsidiaries with a corresponding increase in equity.

Notes to the Company financial statements (continued)

3. 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.

(a) Valuation of investment in subsidiaries

The carrying value of the investment in subsidiaries cannot exceed the recoverable amount. The recoverable amount of the investment is a critical estimate. The Company is required to assess if the investment is impaired at the end of each reporting period. The recoverable amount is the greater of the value in use (VIU) or the fair value less costs to sell. The estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In arriving at the recoverable amount the Company uses the latest board approved forecasts extrapolated as required using long term growth rates. At the end of the reporting period the Company determined that an impairment of its investment in subsidiary, Zopa Limited, was necessary. See note 7 for further details.

Key assumptions used in the calculation of VIU were the following:

- Cash flows were projected based on past experience, actual operating results and the five-year business plan. Cash flows after the planning period were extrapolated using a constant growth rate of 1.5% into perpetuity.

A pre-tax discount rate of 10% was applied in determining the recoverable amounts for the business. The discount rates were based on the weighted average cost of capital.

Sensitivity analysis has been performed on the fair value of Zopa Limited and the pre-tax discount rate used with the following results:

- Scenario 1 – Using a discount rate of 9% the fair value of Zopa Limited increased by £79k
- Scenario 2 - Using a discount rate of 11% the fair value of Zopa Limited decreased by £77k

4. Debt securities

	2020	2019
	£000	£000
Debt securities at amortised cost	1	-
UK government Treasury Bills	1	-

At 31 December 2020, £nil (2019: nil) of debt securities are expected to be recovered less than 12 months after the reporting date.

All debt securities were stage 1 assets under IFRS 9 as at 31 December 2020 and 31 December 2019. There were no significant impairment provisions in respect of expected losses as at 31 December 2020 (2019: nil).

5. Amounts due from other group undertakings

At 31 December 2020 £27k of trade payables was due from Zopa Limited (2019: £24k). At 31 December 2020 no loan is outstanding from Zopa Bank (2019: £3.0m).

During the year the Company charged interest of nil to Zopa Limited (2019: £26k). Fee income was charged to Zopa Limited of £86k (2019: £nil). Interest of £44k was charged to Zopa Bank in relation to intercompany loans during the year (2019: £20k) Fee income was charged to Zopa Bank Limited of £125k (2019: £nil). Amounts have been settled in full.

Notes to the Company financial statements  
(continued)

6. Amounts due to other group undertakings

At 31 December 2020 £44k was due to Zopa Bank Limited (2019: £24k). During the year, the Company charged Amounts have been settled in full post year end.

Additionally, a loan of £3,116k is due to Zopa Limited (2019: £701k). The loan is repayable on 13 September 2024, with an option to extend, and bears interest at an arm’s length rate equal to the Bank of England base rate plus a 2% margin. Interest of £51k (2019: £1k) was charged in the year. The amount is still outstanding.

During the year the Company was charged administrative costs of £510k by Zopa Bank Limited (2019: £483k) and £82k by Zopa Limited (2019: £553k).

All transactions are at arm’s length. There are no related party transactions in relation to key management personnel. Key management personnel are Company Directors.

7. Investment in subsidiaries

	£000
Balance at 1 January 2019	103,400
Share purchase	15,000
Capital contribution for share based payments	1,568
Impairment of investment in subsidiaries	(43,952)
Balance at 31 December 2019	76,016
Balance at 1 January 2020	76,016
Share purchase	138,160
Capital contribution for share based payments	1,157
Impairment of investment in subsidiaries	(6,658)
Balance at 31 December 2020	208,675

Notes to the Company financial statements  
(continued)

The Company has impaired the carrying value of its investment in subsidiaries due to a fall in the recoverable amount of Zopa Limited, one of the subsidiaries. The recoverable amount, as calculated by reference to Fair Value less Costs to Sell is now estimated to be £13.7m. As a result an impairment of £6.7m has been recognised in these financial statements.

The Company has an interest in the total ordinary share capital of the following subsidiaries. All subsidiary undertakings are included in the consolidated financial statements.

Subsidiary undertaking	Place of incorporation	Ownership	Trading status
Zopa Bank Limited	UK	100%	Trading
Zopa Holdings Inc	USA	100%	Dissolved
Zopa Limited	UK	100%	Trading
Zopa Inc	USA	100%	Dissolved
P2PS Cars Limited	UK	100%	Dormant

The registered office for all subsidiary undertakings is 1st Floor, Cottons Centre, 47-49 Tooley Street, London, England, SE1 2QG.

Individual financial statements for Zopa Limited (company number 05197592) and Zopa Bank Limited (company number 10627575) can be obtained from Companies House.

In June 2020 Zopa Holdings Inc and Zopa Inc were dissolved. For further information regarding post balance sheet events see note 15.

Notes to the Company financial statements  
(continued)

8. Risk management

The Group is responsible for determining its principal risks, and the level of acceptable risks, as stipulated in the Group's risk appetite statement, thus ensuring that there is an adequate system of risk management so that the levels of capital and liquidity held are consistent with the risk profile of the business. The risk management disclosures of the Group in the Risk

Management Report on pages 14-17 of the Strategic Report apply to the Company where relevant.

The principle risk for the Company relates to the impairment of the investment in subsidiaries as mentioned in note 2 a) and note 7.

9. Directors' remuneration

The Company had no employees in 2020 (2019: none). Directors are paid via other Group entities

	2020 £000	2019 £000
Directors' emoluments	334	444
Payments in respect of personal pension plans	2	6
Share based compensation arrangements	49	46
	385	496
Payments in respect of personal pension plans relate to two Directors		
Highest paid Director		
The below amounts include the following in respect of the highest paid Director:		
	2020 £000	2019 £000
Emoluments	173	169
Payments in respect of personal pension plans	-	5
Share based compensation arrangements	-	30
	173	204

Notes to the Company financial statements  
(continued)

10. Related party transactions

Related party transactions and balances in relation to the Company's subsidiaries can be found in notes 5 and 6. There were no related party transactions in relation to key management personnel who are defined as the Directors of the Company.

11. Controlling party information

Following the change in control in June 2020, the Directors consider IAG Silverstripe Partners LLC (incorporated in the United States of America) to be the ultimate controlling party. Prior to this there was no ultimate parent and controlling party.

12. Financial risk management

(a) Credit risk

Treasury credit risk exists where we have acquired securities or placed cash deposits with other financial institutions as part of our treasury portfolio of assets. We consider the credit risk of treasury assets to be relatively low. No assets are held for speculative purposes or actively traded. Certain liquid assets are held as part of our liquid assets buffer. At 31 December 2020 no treasury assets were held and at 31 December 2019 all assets were in Stage 1.

Counterparty credit risk arises from the Company's non-consumer counterparties with whom Zopa has cash. For deposits at commercial banks, the financial institutions considered need to have a credit rating above BBB-. The financial stability of partners is assessed prior to and at regular intervals during the relationship. Where available external credit rating of partners is monitored.

Notes to the Company financial statements  
(continued)

Maximum exposure to credit risk

The following table contains an analysis of the Group's maximum exposure to credit risk on financial assets.

	31 December 2020	31 December 2019
	£000	£000
Cash and balances with other banks	1,400	774
Debt securities	1	-
Investment in Subsidiaries	208,675	76,016
Other assets	389	3,212
Total credit risk exposure	210,465	80,002

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The liquidity position is monitored on an ongoing basis.

Liquid assets

	31 December 2020	31 December 2019
	£000	£000
Unencumbered cash and bank balances	1,400	774
UK Treasury bills and Money Market Funds	1	-
Total liquid assets	1,401	774

Notes to the Company financial statements  
(continued)

The table below presents the assets and liabilities on the balance sheet:

Assets	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
31 December 2020	£000	£000	£000	£000	£000	£000
Cash and balances with other banks	1,400	-	-	-	-	1,400
Debt securities	1	-	-	-	-	1
Amounts due from other group undertakings	27	-	-	-	-	27
Other assets	21	41	300	-	1	363
Total	1,449	41	300	-	1	1,791

Liabilities	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
31 December 2020	£000	£000	£000	£000	£000	£000
Amounts due to other Group undertakings	44	16	-	3,100	-	3,160
Other liabilities	3	344	-	-	-	347
Total	47	360	-	3,100	-	3,507

Notes to the Company financial statements  
(continued)

Assets	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
31 December 2019	£000	£000	£000	£000	£000	£000
Cash and balances with other banks	774	-	-	-	-	774
Debt securities	-	-	-	-	-	-
Other assets	54	20	138	3,000	-	3,212
Total	828	20	138	3,000	-	3,986

Liabilities	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
31 December 2019	£000	£000	£000	£000	£000	£000
Amounts due to other Group undertakings	725	-	-	-	-	725
Other liabilities	-	1,945	-	-	-	1,945
Total	725	1,945	-	-	-	2,670

The following is an analysis of gross undiscounted contractual cash flows payable under financial liabilities. The analysis has been prepared on the basis of the earliest date at which contractual repayments may take place.

Liabilities	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
31 December 2020	£000	£000	£000	£000	£000	£000
Amounts due to other Group undertakings	44	16	-	3,100	-	3,160
Other liabilities	3	344	-	-	-	347
Total	47	360	-	3,100	-	3,507

Notes to the Company financial statements  
(continued)

Liabilities	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
31 December 2019	£000	£000	£000	£000	£000	£000
Amounts due to other Group undertakings	725	-	-	-	-	725
Other liabilities	-	1,945	-	-	-	1,945
Total	725	1,945	-	-	-	2,670

13. Financial instruments and fair values

The below table shows a comparison of the carrying amounts per the statement of financial position, and the fair values of those financial instruments measured at amortised cost:

	2020		2019	
	Carrying amount	Fair value	Carrying amount	Fair value
31 December	£000	£000	£000	£000
Cash and balances with other banks	1,400	1,400	774	774
Debt securities	1	1	-	-
Other assets	215	215	3,212	3,212
Total financial assets (at amortised cost)	1,616	1,616	3,986	3,986
Other liabilities	347	347	2,670	2,670
Total financial liabilities (at amortised cost)	347	347	2,670	2,670

Notes to the Company financial statements  
(continued)

Key considerations in the calculation of the disclosed fair values for those financial assets and liabilities carried at amortised cost include the following:

(a) Cash and balances with other banks

These represent either amounts with an initial maturity of less than three months or longer term variable rate deposits placed with banks, where adjustments to fair value in respect of the credit risk of the counterparty are not considered necessary. Accordingly, the carrying value of the assets is considered to be not materially different from their fair value.

(b) Other assets and liabilities

These represent short term receivables and payables and as such, their carrying value is not considered to be materially different from their fair value.

14. Share capital

Details of the Company's share capital can be found in note 19 to the consolidated financial statements.

15. Post balance sheet events

In March 2021 the Company issued 6.3m ordinary C shares to existing shareholders for cash consideration of £20.0m

In March 2021 the Company purchased 17.0m ordinary shares in Zopa Bank Limited for a cash consideration of £17.0m

In April 2021, P2PS Cars Limited, a subsidiary of Zopa Limited was dissolved.

In June 2021 the Company completed a simplification of the share structure including a limited buyback of 833,000 Ordinary A shares. Following the simplification only Ordinary Shares and Series 3 Preferred Shares exist.

