Company Registration Number: 07235487

ArchOver Limited

Annual Report and Consolidated Financial Statements

For the year ended

31 December 2018

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ARCHOVER LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

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ARCHOVER LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

The board of directors	A Dent I P M Anderson S J Harris F W Johnston
Company secretary	Hampden Legal Plc
Registered office	5th Floor 40 Gracechurch Street London England EC3V 0BT
Registered number	07235487 (England & Wales)
Registered auditor	Carter Backer Winter LLP Chartered Accountants & Statutory Auditor 66 Prescot Street London E1 8NN

ARCHOVER LIMITED

STRATEGIC REPORT

YEAR ENDED 31 DECEMBER 2018

The directors present their strategic report for the year ended 31 December 2018.

BUSINESS REVIEW

ArchOver is a P2P Business lender. We help UK companies raise the borrowing they need to grow while also providing investors with a secure place to lend their money and earn a real return. ArchOver has facilitated borrowing for companies in many sectors, including; engineering, marketing, accountancy, construction and legal. ArchOver appeals to a wide variety of lenders; from individuals, through family offices, to companies and institutions.

To date ArchOver has facilitated approaching £100m of borrowing for UK businesses, paid over £5.6m in interest to lenders and repaid approximately £65m of capital to lenders. During 2018 ArchOver successfully executed its strategy of building upon the operating base of the business in order to facilitate anticipated higher volume in 2019. For the first Quarter of 2019 the directors of ArchOver are pleased to report a favourable performance Vs budget.

ArchOver recognises that not all lenders want the same levels of security and that borrowers business models differ. We therefore offer different lending services with varying levels of security at different rates of interest. We facilitate loans secured both in a traditional sense with an all-asset charge over the borrower and via controlling the borrowers cash inflow, by way of all trade receipts being processed in a bank account controlled and administered by ArchOver. For lending services without traditional security ArchOver focuses on security via process. In all cases Lenders continue to enjoy the safeguard of having ArchOver monitor all borrowers closely.

FUTURE DEVELOPMENTS

ArchOver continues to enhance its platform www.archover.com, facilitating secured fixed term loans to businesses in the UK, while offering a high level of security to lenders.

KEY PERFORMANCE INDICATORS

The directors consider the following to be the key performance indicators of the group:

	31st Dec 2016	**31st Dec 2017**	**31st Dec 2018**	**31st Mar 2019**
Number of potential lenders registered	1,105	2,088	2,869	3,121
Number who have lent	305	769	1,068	1,109
Average loan size	£196,000	£247,000	£239,000	£236,000
Number of loans facilitated	132	237	362	397

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks of the group are:

Reputation Risk
In common with other P2P lenders and with many other facilitators of loans ArchOver does not lend its own money. We rely on the good reputation our service commands to continue attracting investors money to lend. Any damage to this reputation reduces lenders appetite and decreases ArchOver's business.

Political Risk
The uncertainty surrounding the Brexit negotiations has decreased both borrowers and lenders appetite for borrowing and investing respectively and thereby decreased ArchOver business. Continuing uncertainty is unhelpful to ArchOver.

Environment Business Risk
The UK lending market is vast and has many well established participants, P2P lending is relatively new and an area of rapid growth within this market. The company directors ensure the company keeps pace with the changing trends of the lending market by maintaining a monitoring service available from competitors and ensuring that good communication is kept with its current lenders and borrowers.

Technology Business Risk
Future profitability and cash flows of the business are dependent on the continuing use and relevance of the lender and borrower platform. Lending cannot be undertaken if the platform became unable to attract and maintain the participation of its users. The directors recognise the platform as one of the key features to the business's success and as such prioritise the maintenance of its functionality and continued development.

Finance Risks
In order for the company to continue its growth within an expanding part of the lending market it needs to have sufficient working capital and investment funding. As well as the directors keeping close monitor on budgets and the costs involved in running the business to avoid unnecessary costs being incurred, the company also receives continued financial support from its shareholders to enable it to continue to grow.

Regulatory Risks
P2P Business Lending is regulated by the Financial Conduct Authority (FCA). The company is authorised and regulated by the FCA and the management team ensure that the various aspects of the FCA regulation that are applicable to the company are followed.

Signed on behalf of the directors

S J Harris For and on behalf of Hampden Legal Plc
Company secretary

Approved by the directors on 25 April 2019

The directors present their report and the consolidated financial statements of the group for the year ended 31 December 2018.

DIRECTORS

The directors who served the company during the year were as follows:

A Dent	
I P M Anderson	
S J Harris	
F W Johnston	(appointed 2nd February 2018)

During the year the company maintained liability insurance for its directors and officers.

DIVIDENDS

The loss for the year amounted to £1,254,921. The directors are unable to recommend a dividend.

FUTURE DEVELOPMENTS

Details of future developments are disclosed within the strategic report on page 2 of the financial statements.

FINANCIAL INSTRUMENTS

Details in relation to the financial risk management objectives and policies are disclosed within the strategic report on page 2 of the financial statements.

DIRECTORS RESPONSIBILITIES STATEMENT

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

Company law requires the directors to prepare consolidated financial statements for each financial year. Under that law the directors have elected to prepare the consolidated financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 102 - 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland'. Under company law the directors must not approve the consolidated financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and the profit or loss of the group for that period.

In preparing these consolidated financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the consolidated financial statements;
- prepare the consolidated financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PROVISION OF INFORMATION TO THE AUDITOR

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the company's auditor is unaware; and
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the group and the company's auditor is aware of that information.

AUDITOR

Carter Backer Winter LLP are deemed to be re-appointed under section 487(2) of the Companies Act 2006.

Signed on behalf of the directors

S J Harris For and on behalf of Hampden Legal Plc
Company secretary

Approved by the directors on 25 April 2019

ARCHOVER LIMITED

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF ARCHOVER LIMITED

YEAR ENDED 31 DECEMBER 2018

OPINION

We have audited the financial statements of ArchOver Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2018, which comprise the consolidated statement of comprehensive income, consolidated statement of financial position, company statement of financial position, consolidated statement of changes in equity, company statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2018 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO GOING CONCERN

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

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors' have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in this regard.

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the Strategic Report and the Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Director's Report have been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Director's Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Directors Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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 groups and parent 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 parent company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free form material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: htts://frc.org.uk/auditorresponsibilites. This description forms part of our auditor's report.

USE OF OUR REPORT

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Daniel Rose FCCA (Senior Statutory Auditor)
For and on behalf of
CARTER BACKER WINTER LLP
Statutory Auditor

66 Prescot Street
London
E1 8NN

25 April 2019

ARCHOVER LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2018

	Note	2018	2017 £
GROUP TURNOVER	4	**1,635,547**	1,524,184
Cost of sales		**(278,624)**	(217,583)
GROSS PROFIT		**1,356,923**	1,306,601
Distribution costs		**(83,912)**	(164,032)
Administrative expenses		**(2,651,218)**	(1,972,367)
Other operating income		**159,828**	255,617
OPERATING LOSS	5	**(1,218,379)**	(574,181)
Other interest receivable and similar income	9	**18**	131
Interest payable and similar charges	10	**(36,560)**	(31,187)
LOSS BEFORE TAXATION		**(1,254,921)**	(605,237)
Taxation	11	**–**	–
LOSS FOR THE FINANCIAL YEAR		**(1,254,921)**	(605,237)
Fair value gain on valuation of share options		**43,211**	13,530
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(1,211,710)**	(591,707)

All the activities of the group are from continuing operations.

The notes on pages 15 to 27 form part of these consolidated financial statements.

ARCHOVER LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2018

	Note		2018 £		2017 £
FIXED ASSETS					
Intangible assets	13		–		450,497
Tangible assets	14		**32,028**		21,399
			32,028		471,896
CURRENT ASSETS					
Debtors: due within one year	16	**742,853**		664,047	
Debtors: due after more than one year	16	**4,171,989**		2,400,000	
Cash at bank and in hand		**68,875**		130,861	
		4,983,717		3,194,908	
CREDITORS: Amounts falling due within one year	17	**(712,783)**		(402,132)	
NET CURRENT ASSETS			**4,270,934**		2,792,776
TOTAL ASSETS LESS CURRENT LIABILITIES			**4,270,934**		3,264,672
CREDITORS: Amounts falling due after more than one year	18		**(3,828,000)**		(2,328,000)
NET ASSETS			**474,962**		936,672
CAPITAL AND RESERVES					
Called up share capital	21		**11,381**		11,381
Share premium account	22		**1,437,035**		1,437,035
Share option reserve	22		**170,800**		127,589
Capital contribution reserve	22		**3,625,000**		2,875,000
Profit and loss account	22		**(4,769,254)**		(3,514,333)
SHAREHOLDERS FUNDS			**474,962**		936,672

These consolidated financial statements were approved by the board of directors and authorised for issue on 25 April 2019, and are signed on behalf of the board by:

Angus Dent
Director

Company registration number: 07235487

The notes on pages 15 to 27 form part of these consolidated financial statements.

ARCHOVER LIMITED

COMPANY STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2018

	Note	2018 £	2018 £	2017 £	2017 £
FIXED ASSETS					
Intangible assets	13		–		450,497
Tangible assets	14		32,028		21,399
Investments	15		100		400
			32,128		472,296
CURRENT ASSETS					
Debtors: due within one year	16	804,660		737,559	
Debtors: due after more than one year	16	271,989		-	
Cash at bank and in hand		25,324		121,098	
		1,101,973		858,657	
CREDITORS: Amounts falling due within one year	17	(667,154)		(387,521)	
NET CURRENT ASSETS			434,819		471,136
TOTAL ASSETS LESS CURRENT LIABILITIES			466,947		943,432
NET ASSETS			466,947		943,432
CAPITAL AND RESERVES					
Called up share capital	21		11,381		11,381
Share premium account	22		1,437,035		1,437,035
Share option reserve	22		170,800		127,589
Capital contribution reserve	22		3,625,000		2,875,000
Profit and loss account	22		(4,777,269)		(3,507,573)
SHAREHOLDERS FUNDS			466,947		943,432

The company has taken advantage of section 408 of the Companies Act 2006 not to publish its own statement of comprehensive income.

These ~~consolidated~~ financial statements were approved by the board of directors and authorised for issue on 25 April 2019, and are signed on behalf of the board by:

Angus Dent
Director

Company registration number: 07235487

The notes on pages 15 to 27 form part of these consolidated financial statements.

ARCHOVER LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

31 DECEMBER 2018

	Called up share capital £	Share premium account £	Share option reserve £	Capital contribution reserve £	Profit and loss account £	Total £
AT GROUP FORMATION DATE	11,381	1,437,035	114,059	2,375,000	(2,909,096)	**1,028,379**
Loss for the year	–	–	–	–	(605,237)	**(605,237)**
Other comprehensive income for the year:	–	–	–	–	–	–
Fair value gain on revaluation of share options	–	–	13,530	–	–	**13,530**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	–	–	13,530	–	(605,237)	**(591,707)**
Capital introduced in the year	–	–	–	500,000	–	**500,000**
TOTAL INVESTMENTS BY AND DISTRIBUTIONS TO OWNERS	–	–	–	500,000	–	**500,000**
AT 31 DECEMBER 2017	11,381	1,437,035	127,589	2,875,000	(3,514,333)	**936,672**
Loss for the year	–	–	–	–	(1,254,921)	**(1,254,921)**
Other comprehensive income for the year:						
Fair value gain on revaluation of share options	–	–	43,211	–	–	**43,211**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	–	–	43,211	–	(1,254,921)	**(1,211,710)**
Capital introduced in the year	–	–	–	750,000	–	**750,000**
TOTAL INVESTMENTS BY AND DISTRIBUTIONS TO OWNERS	–	–	–	750,000	–	**750,000**
AT 31 DECEMBER 2018	**11,381**	**1,437,035**	**170,800**	**3,625,000**	**(4,769,254)**	**474,962**

The notes on pages 15 to 27 form part of these consolidated financial statements.

ARCHOVER LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

31 DECEMBER 2018

	Called up share capital £	Share premium account £	Share option reserve £	Capital contribution reserve £	Profit and loss account £	**Total £**
AT 1 JANUARY 2017	11,381	1,437,035	114,059	2,375,000	(2,909,096)	**1,028,379**
Loss for the year	–	–	–	–	(598,477)	**(598,477)**
Other comprehensive income for the year:	–	–	–	–	–	**–**
Fair value gain on revaluation of share options	–	–	13,530	–	–	**13,530**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	–	–	13,530	–	(598,477)	**(584,947)**
Capital introduced in the year	–	–	–	500,000	–	**500,000**
TOTAL INVESTMENTS BY AND DISTRIBUTIONS TO OWNERS	–	–	–	500,000	–	**500,000**
AT 31 DECEMBER 2017	11,381	1,437,035	127,589	2,875,000	(3,507,573)	**943,432**
Loss for the year	–	–	–	–	(1,269,696)	**(1,269,696)**
Other comprehensive income for the year:						
Fair value gain on revaluation of share options	–	–	43,211	–	–	**43,211**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	–	–	43,211	–	(1,269,696)	**(1,226,485)**
Capital introduced in the year	–	–	–	750,000	–	**750,000**
TOTAL INVESTMENTS BY AND DISTRIBUTIONS TO OWNERS	–	–	–	750,000	–	**750,000**
AT 31 DECEMBER 2018	**11,381**	**1,437,035**	**170,800**	**3,625,000**	**(4,777,269)**	**466,947**

The notes on pages 15 to 27 form part of these consolidated financial statements.

ARCHOVER LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2018

	2018	2017
	£	£
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the financial year	**(1,254,921)**	(605,237)
Adjustments for:		
Depreciation of tangible assets	**15,074**	7,481
Amortisation of intangible assets	**297,853**	311,069
Other interest receivable and similar income	**(18)**	(131)
Fair value loss on revaluation of share options	**43,211**	13,530
Interest payable and similar charges	**36,560**	31,187
Changes in:		
Trade and other debtors	**(1,468,656)**	(2,630,715)
Trade and other creditors	**1,451,969**	2,507,913
Cash generated from operations	**(878,928)**	(364,903)
Interest received	**18**	131
Interest paid	**(36,560)**	(31,187)
Net cash used in operating activities	**(915,470)**	(395,959)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of tangible assets	**(25,703)**	(18,443)
Purchase of intangible assets	**(141,113)**	(171,328)
Internally developed intangible assets	**(91,939)**	(87,640)
Proceeds from sale of intangible assets	**385,696**	–
Proceeds from sale of investments	**300**	–
Net cash from/(used in) investing activities	**127,241**	(277,411)
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital introduced in the year	**750,000**	500,000
Increase in loans from group companies	**358,382**	18,753
(Increase)/decrease in loans to group companies	**(382,139)**	176,048
Net cash from financing activities	**726,243**	694,801
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(61,986)**	21,431
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**130,861**	109,430
CASH AND CASH EQUIVALENTS AT END OF YEAR	**68,875**	130,861

The notes on pages 15 to 27 form part of these consolidated financial statements.

1. GENERAL INFORMATION

ArchOver Limited is a limited liability company incorporated in England. The address of the registered office and principal place of business is disclosed on the officers and professional advisors' page.

The group's principal activities are that of secured and insured P2P lending and financial services.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statement are rounded to the nearest £ unless otherwise stated.

2. ACCOUNTING POLICIES

Basis of preparation

These consolidated financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 - 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain items as specified in the accounting policies below.

As shown in the consolidated statement of comprehensive income, the group has reported an operating loss for the year.

The company closely monitors the adequacy of its working capital. The ultimate parent company has provided the company, in the form of a subordinated loan, with funding sufficient to meet its day to day and any regulatory capital requirements for the foreseeable future. The directors consider that the company will continue to operate using its current working capital. Therefore the financial statements have been prepared on the going concern basis.

The company has taken advantage of the exemption in section 408 of the Companies Act from disclosing its individual statement of comprehensive income.

Consolidation

The consolidated financial statements incorporate the financial statements of the company and its subsidiary undertakings as at 31 December. The results of the subsidiaries acquired or disposed of during the year are included from, or up to, the date of acquisition or disposal unless held for sale.

Revenue recognition

Turnover is measured at the fair value of the consideration received or receivable for services rendered, net of discounts and Value Added Tax.

The group has two revenue streams; a marketing fee, the fee payable by a successful borrower for marketing their project on the ArchOver platform and the difference between the interest paid by borrowers and that paid to lenders, a monitoring fee. The marketing fee is recognised only when the project has been successfully funded on the ArchOver platform. The monitoring fee is recognised each month as the fee arises.

Revenue generated from interest received on loans provided during the year is recognised each month as the interest arises.

2. ACCOUNTING POLICIES *(continued)*

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating profit.

Investments

Fixed asset investments are initially recorded at cost, and subsequently stated at cost less any accumulated impairment losses.

Taxation

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. 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, tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

A net deferred tax asset is regarded as recoverable and therefore recognised, only when it can be regarded as more likely than not there will be suitable taxable profits from which the future reversal of underlying timing differences can be deducted.

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

Operating leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Intangible assets

Intangible assets, which relate to the costs associated with developing the ArchOver platform are initially recorded at cost, and are subsequently stated at cost less any accumulated amortisation and impairment losses. Cost includes expenditure that is directly attributable to the creation of these assets. Any intangible assets carried at revalued amounts, are recorded at the fair value at the date of revaluation, as determined by reference to an active market, less any subsequent accumulated amortisation and subsequent accumulated impairment losses.

Cash at bank

Cash at bank and in hand are basic financial assets and include cash in hand and deposits held at call with banks.

2. ACCOUNTING POLICIES *(continued)*

Amortisation

Amortisation is calculated so as to write off the cost of platform development, less its estimated residual value, over the useful life of the asset as follows:

Development costs	-	Straight line over 3 years

If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new estimates.

Research and development

Research expenditure is written off in the period in which it is incurred.

Development expenditure incurred is capitalised as an intangible asset only when all of the following criteria are met:

- It is technically feasible to complete the intangible asset so that it will be available for use or sale;
- There is the intention to complete the intangible asset and use or sell it;
- There is the ability to use or sell the intangible asset;
- The use or sale of the intangible asset will generate probable future economic benefits;
- There are adequate technical, financial and other resources available to complete the development and to use or sell the intangible asset; and
- The expenditure attributable to the intangible asset during its development can be measured reliably.

Expenditure that does not meet the above criteria is expensed as incurred.

Tangible assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses. Any tangible assets carried at revalued amounts are recorded at the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation, is recognised in other comprehensive income and accumulated in equity, except to the extent it reverses a revaluation decrease of the same asset previously recognised in profit or loss. A decrease in the carrying amount of an asset as a result of revaluation, is recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in equity in respect of that asset. Where a revaluation decrease exceeds the accumulated revaluation gains accumulated in equity in respect of that asset, the excess shall be recognised in profit or loss.

Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Equipment	-	Straight line over 2 to 3 years
Computer equipment	-	Straight line over 2 to 3 years

2. ACCOUNTING POLICIES *(continued)*

Impairment of fixed assets

At each period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount, with the impairment recognised immediately in the statement of income and retained earnings.

Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the statement of financial position and the amount of the provision as an expense.

Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are recognised in profit or loss unless the provision was originally recognised as part of the cost of an asset. When a provision is measured at the present value of the amount expected to be required to settle the obligation, the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

Employee benefits

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

When contributions are not expected to be settled wholly within 12 months of the end of the reporting date in which the employees render the related service, the liability is measured on a discounted present value basis. The unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

Financial instruments

The group has applied the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' of FRS 102 to all of its financial instruments.

Financial instruments are classified and accounted for, according to the substance of the contractual agreement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the statement of financial position. Finance costs and gains or losses relating to financial liabilities are included in the statement of comprehensive income. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distribution relating to equity instruments are debited direct to equity.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The areas for which estimation has been applied are considered to be in calculating depreciation and the useful economic life of assets although the same rates and economic life are applied across all companies within the group, calculating amortisation, estimating any necessary bad debt provision and the impairment of investments. The company also uses estimation and judgements when calculating the fair value of share options at the year end under the Black Scholes Option Pricing Model, details regarding the technique can be found in note 23. Although each of these areas are subject to judgement, they are not considered to be subject to significant estimation.

4. TURNOVER

Turnover arises from:

	2018	2017
	£	£
Secured and insured P2P lending	**1,421,665**	1,500,184
Financial services	**213,882**	24,000
	1,635,547	1,524,184

The whole of the turnover is derived in the United Kingdom.

5. OPERATING LOSS

Operating loss is stated after charging:

	2018	2017
	£	£
Amortisation of intangible assets	**297,853**	311,069
Depreciation of tangible assets	**15,074**	7,481
Fees payable for the audit of the financial statements	**24,150**	22,800
Defined contribution plans expense	**25,182**	7,690
Operating lease costs: Other	**167,201**	61,582

6. STAFF COSTS

The average number of persons employed by the group during the year, including the directors, amounted to:

	2018	2017
	No	No
Administrative staff	21	11
Management staff	4	2
	25	13

The aggregate payroll costs incurred during the year, relating to the above, were:

	2018	2017
	£	£
Wages and salaries	1,158,923	782,471
Social security costs	119,532	96,035
Other pension costs	25,182	7,690
	1,303,637	886,196

7. DIRECTORS REMUNERATION

The directors' aggregate remuneration in respect of qualifying services was:

	2018	2017
	£	£
Remuneration	278,750	242,000
Group contributions to defined contribution pension schemes	6,238	2,560
	284,988	244,560

The number of directors who accrued benefits under company pension schemes was as follows:

	2018	2017
	No	No
Defined contribution schemes	2	2

Remuneration of the highest paid director in respect of qualifying services:

	2018	2017
	£	£
Aggregate remuneration	145,000	116,417

8. REMUNERATION OF KEY MANAGEMENT PERSONNEL

Only the directors of the company are considered to be key management personnel, their remuneration is disclosed within note 7.

9. OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

	2018	2017
	£	£
Interest on cash and cash equivalents	18	131

10. INTEREST PAYABLE AND SIMILAR CHARGES

	2018	2017
	£	£
Other interest payable and similar charges	**36,560**	31,187

11. TAXATION

Tax recognised as other comprehensive income or equity

The aggregate current and deferred tax relating to items that are recognised as items of other comprehensive income is £nil (2017: £nil).

Reconciliation of tax charge

The tax assessed on the loss for the year is higher than (2017: higher than) the standard rate of corporation tax in the UK of 19% (2017: 19.25%).

	2018	2017
	£	£
Loss before taxation	**(1,254,921)**	(605,237)
Loss by rate of tax	**(238,435)**	(116,508)
Effect of expenses not deductible for tax purposes	**14,655**	7,305
Effect of non-taxable income	**(30,899)**	(49,206)
Effect of capital allowances and depreciation	**(2,301)**	(2,459)
Utilisation of tax losses	**(3)**	5
Group relief	**256,983**	160,863
Tax on loss	**–**	–

Factors that may affect future tax charge

A deferred tax asset has not been recognised in respect of unrelieved tax losses and accelerated capital allowances. The amount that has not been recognised at 31 December 2018 when calculated at the large companies rate of corporation tax in the UK of 19% is £67,155 (2017: £67,155) in respect of trade losses and £5,337 (2017: £371) in respect of accelerated capital allowances. The deferred tax asset would be recoverable to the extent that future taxable gains/profits are generated enabling the tax losses to be relieved.

The decrease in the standard rate of corporation tax is caused by the impact of the reductions in the UK tax rate as follows:

From 1 April 2015 to 31 March 2017	20%
From 1 April 2017 to 31 March 2020	19%

During 2015, the government announced legislation setting the corporation tax main rate at 19% with effect from 1 April 2017 and furthermore to 18% from 1 April 2020. Finance Act 2016, further reduced the main rate of corporation tax to 17% effect from 1 April 2020. As a result of the change, the relevant deferred tax balances have been measured using the effective rate of 19% that will apply in the UK.

12. LOSS FOR THE YEAR OF THE PARENT COMPANY

The loss for the financial year of the parent company was £1,269,696 (2017: £598,477).

13. INTANGIBLE ASSETS

Group and company	**Development costs £**
COST	
At 1 January 2018	1,238,744
Additions	141,113
Additions from internal developments	91,939
Disposals	(1,471,796)
At 31 December 2018	–
AMORTISATION	
At 1 January 2018	788,247
Charge for the year	297,853
Eliminated on disposal	(1,086,100)
At 31 December 2018	–
NET BOOK VALUE	
At 31 December 2018	–
At 31 December 2017	450,497

Development costs relate to the ArchOver platform.

Amortisation of intangible fixed assets is included within administrative expenses.

14. TANGIBLE ASSETS

Group and company	**Equipment £**	**Computer £**	**Total £**
COST			
At 1 January 2018	2,367	40,216	**42,583**
Additions	8,146	17,557	**25,703**
Disposals	–	(6,748)	**(6,748)**
At 31 December 2018	**10,513**	**51,025**	**61,538**
DEPRECIATION			
At 1 January 2018	1,965	19,219	**21,184**
Charge for the year	2,373	12,701	**15,074**
Depreciation on disposals	–	(6,748)	**(6,748)**
At 31 December 2018	**4,338**	**25,172**	**29,510**
NET BOOK VALUE			
At 31 December 2018	**6,175**	**25,853**	**32,028**
At 31 December 2017	402	20,997	21,399

15. INVESTMENTS

Company	Shares in group undertakings £
COST	
At 1 January 2018	400
Additions	300
Disposals	(600)
At 31 December 2018	**100**
IMPAIRMENT	
At 1 January 2018 and 31 December 2018	–
NET BOOK VALUE	
At 31 December 2018	**100**
At 31 December 2017	400

Subsidiaries, associates and other investments

The following companies are the subsidiary undertakings. Unless otherwise stated the company or a direct subsidiary holds 100% of the equity share capital of the companies listed. All companies are incorporated in England and Wales unless otherwise stated. The registered office for all companies unless otherwise stated is 5th Floor, 40 Gracechurch Street, London, England, EC3V 0BT.

Name of subsidiary undertaking	Principal activity
ArchOver SPV 10 Limited	Financial services

During the year, the company acquired and disposed of subsidiary undertakings. The results of these subsidiary undertakings have not been consolidated in accordance with FRS 102 section 9.9B, as they were held exclusively with a view to subsequent resale and were disposed of at the balance sheet date.

16. DEBTORS

Debtors falling due within one year are as follows:

	Group		Company	
	2018	2017	**2018**	2017
	£	£	**£**	£
Trade debtors	**46,514**	124,674	**46,514**	167,874
Amounts owed by group undertakings	**412,362**	302,212	**523,713**	418,752
Prepayments and accrued income	**270,409**	175,270	**220,865**	132,242
Other debtors	**13,568**	61,891	**13,568**	18,691
	742,853	664,047	**804,660**	737,559

Debtors falling due after one year are as follows:

	Group		Company	
	2018	2017	**2018**	2017
	£	£	**£**	£
Amounts owed by group undertakings	**271,989**	–	**271,989**	–
Other debtors	**3,900,000**	2,400,000	–	–
	4,171,989	2,400,000	**271,989**	–

17. CREDITORS: Amounts falling due within one year

	Group		Company	
	2018	2017	**2018**	2017
	£	£	**£**	£
Trade creditors	**151,924**	135,754	**120,560**	125,754
Amounts owed to group undertakings	**377,435**	18,753	**377,435**	19,053
Accruals and deferred income	**114,053**	149,001	**99,788**	144,090
Social security and other taxes	**64,338**	97,759	**64,338**	97,759
Directors loan accounts	**–**	865	**–**	865
Other creditors	**5,033**	–	**5,033**	–
	712,783	402,132	**667,154**	387,521

18. CREDITORS: Amounts falling due after more than one year

	Group		Company	
	2018	2017	**2018**	2017
	£	£	**£**	£
Other creditors	**3,828,000**	2,328,000	**–**	–

ArchOver SPV 10 Limited has entered into an arrangement with a funder to borrow £3,828,000 and lend the funds over the ArchOver platform. Under the legal agreement executed, the funder has agreed that the company will not be liable for any default by the borrowers over the platform, which total £3,900,000. Due to the legal substance of the agreement, the amounts are presented in the group accounts as a gross debtor and creditor to represent the underlying nature of the transaction.

19. SECURED DEBTS

The following secured debts are included within creditors:

	Group		Company	
	2018	2017	**2018**	2017
	£	£	**£**	£
Other creditors	**3,828,000**	2,328,000	**–**	–

A debenture amounting to £3,828,000 has been secured by a fixed and floating charge over the assets of ArchOver SPV 10 Limited. Additional security has been provided by ArchOver Limited by way of a fixed charge over its 100% holding in ArchOver SPV 10 Limited.

20. EMPLOYEE BENEFITS

Defined contribution plans

The group makes contributions to several defined contributions schemes. The assets of these schemes are held separately from those of the company in independently administered funds. The pension cost charge represents contributions payable by the group to the funds and amounted to £25,182 (2017: £7,690). At this and the prior year end there were no amounts outstanding.

21. CALLED UP SHARE CAPITAL

Issued, called up and fully paid

	2018		2017	
	No	£	No	£
Ordinary A shares of £0.01 each	**1,018,704**	**10,187**	1,018,704	10,187
Ordinary B shares of £0.01 each	**119,366**	**1,194**	119,366	1,194
	1,138,070	**11,381**	1,138,070	11,381

22. RESERVES

Called-up share capital - This represents the nominal value of shares that have been issued.

Share premium account - This reserve records the amount above the nominal value received for shares sold, less transaction costs.

Share option reserve - This represents the expected cost of issuing shares to employees who exercise options under a share option scheme.

Profit and loss account - This distributable reserve records retained earnings and accumulated losses.

Capital contribution reserve - This distributable reserve is an addition to the permanent capital of the company.

23. SHARE-BASED PAYMENT TRANSACTIONS

Within the parent company, share options are granted to directors and to selected employees, the exercise price for each option is stated in the share option agreement. These equity-settled options have a term of five years from the grant date and vest in accordance with a schedule determined at the time the option is granted, some of which vest immediately and the remainder vesting over a period of three to five years. During the year, share options of 37,807 were granted an extension to their vesting period of one year.

The fair value of each option within the parent company is estimated on the date of grant using the Black Scholes Option Pricing Model.

Share options outstanding at the end of the year for the parent company have the following exercise prices:

Grant date	**Weighted average exercise price**	**Share options**	
		2018	2017
22/01/2014	**3.98**	**5,000**	5,000
15/05/2014	**3.99**	**37,807**	37,807
	3.99	**42,807**	42,807

The weighted average remaining contractual life for the share options outstanding as at 31 December 2018 is 2.33 years (2017: 1.33 years).

Out of the 42,807 options (2017: 42,807) 5,000 (2017: 5,000) were exercisable. No options were exercised in 2018 for the parent company (2017: nil).

24. COMMITMENTS

The company has arranged a run-off agreement with Hampden Plc, a fellow subsidiary of the Hampden Holdings Limited group. If the company were to cease trading, this agreement would come into effect to enable the controlled continuation of the company's active client loans to their close. As the company is considered to be a going concern, the costs of this run-off provision have not been shown in these consolidated financial statements.

25. RELATED PARTY TRANSACTIONS

Since 30th June 2014 the company has been 75.1% owned by Hampden Holdings Limited, following the issue of equity share capital during the year ended 31st December 2015 this holding has increased to 76.7%. During the year ended 31st December 2016 the shareholding increased to 91.1%. During the year ended 31st December 2017 the shareholding increased to 92.2%.

During the year, the company purchased services of £29,250 (2017 - £1,725) from fellow subsidiaries of the Hampden Holdings Limited group. The balance outstanding at the year-end was £6,000 (2017 - £nil).

During the year the company paid rent of £164,726 (2017 - £50,000) and interest of £nil (2017: £679) to fellow group companies. The balance outstanding at 31 December 2018 was £nil (2017 - £nil).

During the year the company charged a fellow group company £159,828 (2017: £255,617) in respect of group relief. The balance outstanding at the year-end was £nil (2017 - £nil).

As at 31 December 2018 an amount of £225,974 (2017 - £250) was owed by fellow group companies excluding the balance owed by ArchOver Intellectual Property Limited which is disclosed below. An amount of £1,060 (2017 - £18,753) was owed to fellow group companies excluding the balance owed to Hampden Holdings Limited which is disclosed below.

During the year, the company received a capital contribution from its parent company of £750,000 (2017 - £500,000). The balance owed by the company at the year-end amounted to £370,379 (2017 - £301,692 owed to the company).

During the year the company paid accommodation expenses on behalf of a director of £nil (2017 - £14,000).

During the year the company paid expenses on behalf of a director of the company. The balance outstanding at 31 December 2018 was £nil (2017 - £865).

During the year the company transferred its intangible assets at a net book value of £385,696, to a fellow group company. The balance owed to the company at the year-end was £385,696.

During the year the company provided an interest free season ticket loan to two of its directors. The amounts outstanding at 31 December 2018, and the maximum outstanding during the year, were as follows:

	Current year	**Prior year**	**Maximum outstanding in the year**
I Anderson	£nil	£nil	£3,000
A Dent	£nil	£11,484	£11,484

During the year, ArchOver SPV 10 Limited received an investment of £nil (2017: £72,000) from Hampden Holdings Limited, the ultimate parent company in respect of its commercial activities. The balance outstanding at the year end was £nil (2017: £nil). Interest payable on this investment during the year amounts to £5,760 (2017: £nil).

26. ULTIMATE PARENT COMPANY

The directors consider Hampden Holdings Limited to be the company's immediate parent company and ultimate parent company.

The largest and smallest group, in which this company's information is consolidated is that of Hampden Holdings Limited. Hampden Holdings Limited is incorporated in England and Wales and will be drawing up consolidated financial statements to 31 December 2018. The principal place of business for Hampden Holdings Limited is:

Hampden House
Great Hampden
Great Missenden
Buckinghamshire
HP16 9RD

Copies of the consolidated financial statements of Hampden Holdings Limited can be obtained from the above address.