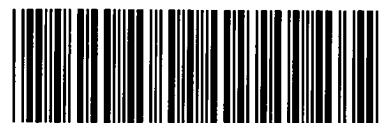


Registration Number 08668507

**Landbay Partners Limited**  
**Directors' Report and Financial Statements**  
**for the year ended 31 December 2016**

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## Company Information

Directors	J Goodall G Stern J Sutton J Jenkins A Ward R Burgess J H Cork (appointed 19 April 2016)
Secretary	R Bhopal
Company Number	08668507
Registered Office	3 <sup>rd</sup> Floor, 9 - 11 Grosvenor Gardens London SW1W 0BD
Independent Auditor	Nexia Smith & Williamson Chartered accountants Statutory Auditor 25 Moorgate London EC2R 6AY

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## Strategic Report

For the year ended 31 December 2016

The board of directors ('the Directors') present their Strategic report on Landbay Partners Limited ('the Company') for the year ended 31 December 2016.

### Review of the business

#### *Principal Activities and Business Review:*

The Company is a peer to peer (P2P) mortgage lender, raising funds from depositors ('Lenders') via an online platform and lending them out to borrowers in the form of residential mortgages to purchase or refinance Buy-To-Let (BTL) properties, predominantly by experienced landlords and professional investors. On 22 December 2016 the company was fully authorised by the FCA to operate an electronic platform. Previously the Company operated under interim permissions

Lender funds are matched to a portfolio of UK residential mortgages that generate stable rental income. Lenders own a share in these mortgages and receive monthly interest. The funds are directly secured by a first legal charge over the property, held in trust by a Security Trustee.

The Company continued to invest in its operations by hiring people and building infrastructure to support growth throughout 2017 and beyond focusing on brand development and technology. This is evidenced by the ongoing growth in media coverage and lender acquisition rates (see KPIs below). The loan book reduced following sale of tranche of loans to an institutional lender and lending was slowed in order to focus strategically on building sustainable model for scaling of volumes across a diverse Retail and institutional lender base.

#### *Risks and Uncertainties:*

The Company is not exposed to direct risk of capital loss across borrower loans. Lenders retain beneficial interest in the loans with the Company acting as agent in facilitating and administering the loans. The Company derives revenue from fees at loan inception and recurring margin throughout the loan term, with all lender funds held in segregated Client Accounts. All loans are subject to stringent credit and affordability criteria, secured against residential properties valued by an external firm of surveyors, who are subject to independent review by a Panel Manager. In the unlikely event of a borrower defaulting on repayments which cannot be recovered as a last resort the property is repossessed to repay the original loan capital plus arrears and costs, though this may still result in a shortfall. In common with the broader market, interest rate, liquidity and economic risks may affect revenue and loan performance. As an additional mitigation measure, a discretionary provision fund is maintained to mitigate any short term late payments or losses following default.

The following key macro risks that can adversely affect our markets and business include:

- Changes in interest rates;
- Lack of liquidity and tighter lending criteria;
- Slowdown in the residential housing market;
- Slowdown in the private rental market;
- Changes in taxation policies and regulation; and
- Contagion from failure of other P2P platforms.

The above list of risks is meant to highlight, in addition to any noted elsewhere in this report, those we consider relevant today and not intended to be an exhaustive list of risks facing the business.

In addition to the regular Board and Executive Management meetings, the Company maintains Corporate Governance through the implementation of various Governance Committees, including Credit Committee, Risks and Controls Committee and Treasury and Financial Committee. These comprise stakeholders from across the business, chaired by members of senior management, and accountable to the Board for managing and reporting against the agreed Risk Appetite.

**Strategic Report (continued)**

For the year ended 31 December 2016

*Funding:*

Further equity was raised during the year totalling £2.4m to support investment in the business and remained adequately capitalised at year end including positive cash position, with no debt and an expanded investor base. The business was in the process of raising further equity at year end. At the date of signing strong commitments from investors had been received. The Directors anticipate finalising the round by June to support growth into 2018 as level of operations scale up. The P2P lending market continued to increase in size in 2016 with further growth anticipated in the coming years as the alternative lending market becomes more mainstream with initiatives such as the launch of new Innovative Finance ISA and increased regulation and awareness by investors.

Lending in 2016 was lower as the business increased its focus on negotiating new institutional funding facilities with improved commercials and capacity, and build operational infrastructure such as the new lender and broker online portals to ensure sustainable service levels as the business scales. A number of initiatives were successfully launched during the year. This will support borrower loan originations and revenue in 2017 and beyond.

*Key Performance Indicators:*

Significant key performance indicators for the Company are:

	<b>2016 Number</b>	<b>2015 Number</b>
<b>Lenders</b>		
Number of registered users	2,907	1,961
Funded accounts	1,425	767
<b>Borrowers</b>		
Flow – Loan completions (value and volume)	£43,100,000 on 244	£18,856,000 on 110
Stock – Loan book (value and volume)	£9,400,000 on 56	£20,621,000 on 122
Gearing - Loan to Value (LTV)	68%	67%

- Service - Processing efficiency from application to completion
- Diversification - Geographical distribution
- Affordability - Rental coverage

The Company continued to grow strongly with further investment in systems, technology and people. The number of Lenders on the platform increased by 86% with the average deposit more than doubling. The mortgage loan book decreased by 54% for reasons explained within the principal activities and business review. Total BTL market gross lending was c£40bn in 2016 (2015: £38bn) representing continuing growth. The Company continues to closely monitor and analyse the profile of Lenders to grow the number and value of funded accounts, in turn supporting growth of the BTL loan book.

The Company expanded its origination channels for acquisition of Lenders and Borrowers to increase profile, coverage and diversification in the market.

Higher overheads were driven by ongoing investment in marketing, technology, and customer operations with headcount increasing by over 50% to support the Company's ambitious plans.

The quality of the mortgage loan book, based on the key metrics described earlier are monitored and controlled through tight credit policies and underwriting processes. These are regularly reviewed and updated by the Credit Committee. The loan to value (LTV) and rental coverage of the portfolio remained well within our minimum criteria with a fully performing book and no defaults to date. These metrics demonstrate the robust credit quality of the loan book and our business model of consistent and sustainable returns for our Lenders over the longer term.

**Strategic Report (continued)**

For the year ended 31 December 2016

**Review of strategy and business model**

In common with early stage businesses loss incurred in the year is driven by the Company's investment in people, infrastructure and processes. As mentioned earlier, the company intends to continue funding the business through further capital raises as it continues planned growth trajectory, as the business moves to profitability over the next few years

This report was approved by the Board on 25 April 2017

A handwritten signature in black ink, appearing to read 'John Goodall', is written over the printed name and title.

**John Goodall**

**Director**

**Registered no. 08668507**

## **Directors' Report**

For the year ended 31 December 2016

The Directors present their report and the financial statements for the year ended 31 December 2016.

### **Results and Dividends**

The results for the year are set out in the Statement of Profit or Loss and Other Comprehensive Income on page 11. The Directors do not recommend a future payment of a dividend. The loss for the period was £1,744,631.

### **Future Developments**

The Company expects significant growth in 2017 as it leverages its strategic partnership with a national property portal to drive website traffic and increase Lenders. The introduction of the new Innovative Finance ISA from April is also expected to underpin volumes as profile across the wider market is strengthened. The Buy-To-Let market continues to be supported by projected growth in the private rental market over the medium to long term.

### **Funding**

As described in the Strategic Report, the Directors were at final stages of concluding further equity raise post year end to support the Company's ongoing growth. A total of £2.4m was raised in 2016 through new equity. The Company has no debt borrowings.

### **Employees**

The Directors recognise the benefits which accrue from keeping employees informed on the progress of the business and involving them in the Company's performance. The Company is committed to providing equality of opportunity to all employees regardless of nationality, ethnic origin, age, sex or sexual orientation and continues to be supportive of the employment and advancement of disabled persons.

### **Health, Safety and the Environment**

The Directors consider the health, safety and environmental protection aspects of the business to be of great importance, as the prevention of personal injury, the avoidance of damage to health and the protection of the environment are important business and social responsibilities. Management practices within the Company are designed to ensure so far as is reasonably practicable, the health, safety and welfare at work of employees, contractors and visitors and the implementation of environmentally aware and friendly policies.

### **Directors**

The Directors who served during the year are detailed below:

J Goodall  
G Stern  
J Sutton  
J Jenkins  
A Ward  
R Burgess  
J H Cork (appointed 19 April 2016)

### **Auditor**

The auditor, Nexia Smith & Williamson, shall hold office subject to and in accordance with the provisions of Sections 485 to 488 of the Companies Act 2006.

**Directors' Report (continued)**

For the year ended 31 December 2016

**Disclosure of information to auditors**

Directors of the Company have confirmed that in fulfilling their duties as a director:

- so far as they are each aware, there was no relevant audit information of which the Company's auditor is unaware; and
- they have taken all reasonable steps that a director ought to have taken to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This information is given and should be interpreted in accordance with the provision of s.418 of the Companies Act 2006.

This report was approved by the Board on 25 April 2017.



**John Goodall**  
**Director**

Registered no. 08668507



## **Statement of Directors' Responsibilities**

For the year ended 31 December 2016

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable laws and regulations.

Company law requires the Directors to prepare financial statements for each financial period. Under that law the Directors have elected to prepare the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as applied in accordance with the provisions 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 Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state that the financial statements comply with IFRSs as adopted by the European Union; and
- prepare the financial statements on a 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.



## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LANDBAY PARTNERS LIMITED

We have audited the financial statements of Landbay Partners Limited for the year ended 31 December 2016 which comprise the Statement of Profit or Loss and Other Comprehensive Income, the Statement of Changes in Shareholders' Equity, the Statement of Financial Position, the Statement of Cash Flows and the related notes 1 to 25. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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.

### Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 8, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

### Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Emphasis of matter – Going Concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 2.2 to the financial statements concerning the Company's ability to continue as a going concern. The Company incurred a net loss of £1,744,631 during the period ended 31 December 2016 (2015: £2,149,983). This condition, along with the other matters explained in note 2.2 to the financial statements, indicates the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

### Opinion on other matter prescribed by the Companies Act 2006

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

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

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LANDBAY PARTNERS LIMITED (continued)**

**Matters on which we are required to report by exception**

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

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

A handwritten signature in black ink that reads "Nexia Smith &amp; Williamson".

Guy Swarbreck  
Senior Statutory Auditor, for and on behalf of  
**Nexia Smith & Williamson**  
Statutory Auditor  
Chartered Accountants

25 Moorgate  
London  
EC2R 6AY

Date: 26 April 2017

**Statement of Profit or Loss and Other Comprehensive Income**

For the year ended 31 December 2016

	Note	Year ended 31 December 2016 £	Year ended 31 December 2015 £
Revenue	2	142,984	364,922
Cost of sales		(75,613)	(240,480)
<b>Gross Profit</b>		<b>67,371</b>	<b>124,442</b>
Administrative expenses		(2,212,032)	(2,316,599)
<b>Loss on ordinary activities before tax</b>	7	<b>(2,144,661)</b>	<b>(2,192,157)</b>
Taxation	8	400,030	42,174
<b>Loss for the period after tax</b>		<b>(1,744,631)</b>	<b>(2,149,983)</b>
Other comprehensive income		-	-
<b>Total comprehensive loss for the period</b>	17	<b>(1,744,631)</b>	<b>(2,149,983)</b>

All income relates to continuing operations.

**Statement of Changes in Shareholders' Equity**

As at 31 December 2016

	Share capital £	Share premium £	Deferred consideration reserve £	Retained earnings £	Total equity £
<b>Balance at 1 January 2015</b>	1,063	1,626,523	-	(562,858)	1,064,728
Total comprehensive loss for the period	-	-	-	(2,149,983)	(2,149,983)
Issue of new ordinary shares	51	248,613	1,127,908	-	1,376,572
<b>Balance at 31 December 2015</b>	<b>1,114</b>	<b>1,875,136</b>	<b>1,127,908</b>	<b>(2,712,841)</b>	<b>291,317</b>
Total comprehensive loss for the period	-	-	-	(1,744,631)	(1,744,631)
Conversion to new ordinary shares	-	1,478,028	(1,478,028)	-	-
Issue of new ordinary shares	356	1,331,709	1,110,120	-	2,442,185
<b>Balance at 31 December 2016</b>	<b>1,470</b>	<b>4,684,873</b>	<b>760,000</b>	<b>(4,457,472)</b>	<b>988,871</b>

The notes on pages 14 to 27 form part of these financial statements.

**Statement of Financial Position**

As at 31 December 2016

		<b>31 December 2016</b>	<b>31 December 2015</b>
	<i>Note</i>	<b>£</b>	<b>£</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	10	666,548	304,252
Property, plant and equipment	11	46,010	66,299
Investments	12	1,000	-
Other receivables	13	40,560	40,560
		<u>754,118</u>	<u>411,111</u>
<b>Current assets</b>			
Trade and other receivables	13	343,858	81,796
Cash and cash equivalents	14	218,733	183,773
		<u>562,591</u>	<u>265,569</u>
<b>Total assets</b>		<u><b>1,316,709</b></u>	<u><b>676,680</b></u>
<b>Equity</b>			
<b>Capital and reserves attributable to the Company's equity holders</b>			
Share capital	15	1,470	1,114
Share premium	16	4,684,873	1,875,136
Deferred consideration reserve	17	760,000	1,127,908
Retained earnings	18	(4,457,472)	(2,712,841)
<b>Total equity</b>		<u><b>988,871</b></u>	<u><b>291,317</b></u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	19	327,838	385,363
		<u><b>327,838</b></u>	<u><b>385,363</b></u>
<b>Total liabilities</b>		<u><b>327,838</b></u>	<u><b>385,363</b></u>
<b>Total equity and liabilities</b>		<u><b>1,316,709</b></u>	<u><b>676,680</b></u>

These financial statements have been approved for issue by the Board of Directors on 25 April 2017 and signed on behalf by:



**John Goodall**  
**Director**  
Registered no. 08668507

The notes on pages 14 to 27 form part of these financial statements.

**Statement of Cash Flows**

For the year ended 31 December 2016

	<i>Note</i>	<b>Year ended 31 December 2016 £</b>	<b>Year ended 31 December 2015 £</b>
<b>Cash flow from operating activities</b>			
Net cash used in operating activities	20	(2,030,160)	(1,930,822)
Corporation tax credit received		180,522	42,174
		<u>(1,849,638)</u>	<u>(1,888,648)</u>
<b>Cash flow from investing activities</b>			
Payments for property plant and equipment		(8,943)	(72,946)
Payments for intangible assets		(548,644)	(315,514)
Net cash used in investing activities		<u>(557,587)</u>	<u>(388,460)</u>
<b>Cash flow from financing activities</b>			
Proceeds from issue of shares		1,682,185	248,664
Proceeds received in advance of shares to be issued		760,000	1,127,908
Loans received from related parties		-	100,000
Loans returned to related parties		-	(5,000)
Net cash generated from financing activities		<u>2,442,185</u>	<u>1,471,572</u>
<b>Net increase/(decrease) in cash</b>		<u><b>34,960</b></u>	<u><b>(805,536)</b></u>
Cash and cash equivalents at beginning of period		183,773	989,309
<b>Cash and cash equivalents at end of period</b>	13	<u><b>218,733</b></u>	<u><b>183,773</b></u>

## Notes to the Financial Statements

for year ended 31 December 2016

### 1. General information

Landbay Partners Limited, a private limited company incorporated in England and Wales, is a peer to peer ('P2P') platform operator, raising funds from depositors ('Lenders') and lending them out as residential mortgages to borrowers for the purchase or refinance of Buy-To-Let ('BTL') properties, predominantly to experienced landlords and professional investors. The address of its registered office is 3rd Floor, 9-11 Grosvenor Gardens, London, SW1W 0BD.

### 2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below.

#### 2.1 Basis of preparation

The financial statements of Landbay Partners Limited have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union and in accordance with the Companies Act 2006 as applicable to companies reporting under IFRS. The Company's financial statements have been prepared under the historical cost convention and on a going concern basis.

The financial statements have been prepared in accordance with IFRS issued and effective or issued and early adopted as at the time of preparing these financial statements.

The financial statements present information about the Company and not its group. The Company has taken advantage of the exemption to not produce consolidated financial statements in accordance with s.402 of the Companies Act 2006 as, in accordance with s.405 of the Companies Act 2006, a subsidiary undertaking may be excluded from consolidation if its inclusion is not material for the purpose of giving a true and fair view.

#### New and amended Standards which became effective in the year

The Company has adopted the following new and amended standards:

Annual improvements to IFRSs 2010 – 2012 cycle (effective 1 February 2015)

Improvements relate to:

- IFRS 2: Share based payments
- IFRS 13: Fair value measurement of short term receivables and payables
- IAS 24: Related Party Disclosures – Key management personnel
- IAS 38: Intangible Assets – revaluation method – proportionate restatement of accumulated amortisation.

IAS 38: Intangible assets: Clarification of acceptable method of amortisation (effective 1 January 2016)

IAS 27: Separate financial statements (effective 1 January 2016)

IAS 1: Presentation of Financial Statements (effective 1 January 2016)

#### Standards, interpretations and amendments to published standards that are not yet effective and have not been adopted early by the Company

The Company has not applied the following new and revised IFRSs as they are in issue but not yet effective:

IFRS 9: Financial instruments

IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses

IAS 7: Statement of Cash Flows Disclosure Initiative

IFRS 2: Classification and measurement of share-based payments

IFRS 16: Leases

A number of amendments and improvements have also been issued but are not yet effective. The directors are currently assessing the impact of these new Standards, improvements and amendments on the Company's accounts.

## Notes to the Financial Statements (continued)

### 2.2 Going concern

At the year end the Company had made total comprehensive losses for the year of £1,744,631. In assessing the Company's going concern status, the Directors have considered the trading results since the year end, the profit and loss forecast and cash flow forecast, including the further equity fundraising in to support growth and working capital commitments for the foreseeable future. However, given the Company's plans for growth it is likely that a further issue of shares will be required to meet anticipated obligations as they fall due. As continuing strong interest from existing and potential shareholders to subscribe for further shares cannot be guaranteed, this represents a material uncertainty as to the Company's going concern status.

Notwithstanding the above, the Directors are confident that with the measure described above and the continuing support of the Board and existing shareholders the Company will be able to continue to meet its obligations as they fall due for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis which the Directors consider appropriate in the circumstances.

### 2.3 Revenue recognition

Revenue represents interest and fees receivable from Lenders and borrowers for the arranging of finance.

#### Application fees

Fees are due from borrowers upon acceptance of loan offers. They are non-refundable and therefore recognised as revenue irrespective of whether the loan completes.

#### Product fees

Fees are due from borrowers at loan completion, which in most cases are added to the loan. They are recognised in full as revenue at loan completion.

#### Platform fees

The Company acts as the administrator of the loans and collects interest on behalf of the Lenders. Interest is receivable from borrowers throughout the term. Part of this interest is payable to the Company as a platform fee and recognised as revenue in the period due. The balance of interest is paid to the Lenders and is not recognised by the Company. The Company has no beneficial interest in or derives any other economic benefit from the loan. It does not bear any risk of loss other than the forgone platform fees.

### 2.4 Financial instruments

Financial assets and financial liabilities are recognised in the Statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

#### Financial assets

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost, less any appropriate provision for estimated irrecoverable amounts. A provision is established for irrecoverable amounts when there is objective evidence that amounts due under the original payment terms will not be collected.

Cash and cash equivalents are recognised initially at fair value and subsequently measured at amortised cost. Cash and cash equivalents comprise cash in hand, deposits held at call with banks, other short-term, highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are included within borrowings in current liabilities on the Statement of financial position.

#### Financial liabilities and equity

Financial liabilities and equity instruments issued by the Company are classified in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost using the effective interest rate method.



## Notes to the Financial Statements (continued)

### 2.5 Development costs / software capitalisation

An internally generated asset arising from the Company's development is recognised only if all of the following conditions are met:

- an asset is created that can be identified (such as software and new systems);
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Internally generated assets are amortised on a straight line basis over their expected useful lives as follows:

Software	3 years
----------	---------

The Company undertakes the development of software and, as such, capitalises the work performed in the course of the development projects. Directly attributable costs are capitalised in relation to the development of software and will be amortised over the useful life of the software once fully developed for its intended use.

### 2.6 Property, plant and equipment

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is calculated to write down the cost of all tangible fixed assets to estimated residual value by equal annual instalments over their expected useful economic life as follows:

Computer equipment	3 years
Fixtures & fittings	3 years

### 2.7 Investments

The investment in the unlisted subsidiary undertaking is carried at cost less provision for impairment in value.

### 2.8 Taxation

The tax expense represents the sum of the tax currently payable and any deferred tax. The current tax charge is based on the taxable profit for the year. Taxable profit differs from net profit as reported in Statement of Profit or Loss and Other Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other year's and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the year end date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to Other comprehensive income, in which case the deferred tax is also dealt with in Other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied.

### 2.9 Share based payments

The cost of share-based employee compensation arrangements, whereby employees receive remuneration in the form of shares or share options, is recognised as an employee benefit expense in the profit or loss account. The total expense to be apportioned over the vesting period of the benefit is determined by reference to the fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. At the end of each reporting period the assumptions underlying the number of awards expected to vest are adjusted for the effects of non-market-based vesting conditions to reflect the conditions prevailing at that date. The impact of any revisions to the original estimates is recognised in the profit or loss account, with a corresponding adjustment to equity.

## Notes to the Financial Statements (continued)

### 2.10 Operating leases

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the duration of the lease.

### 3. Financial risk management

The Company uses a limited number of financial instruments, comprising cash, short-term deposits, bank loans and overdrafts and various items such as trade receivables and payables, which arise directly from operations. The Company does not trade in financial instruments.

#### 3.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and cash flow interest rate risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

##### a) Credit risk

The Company has no significant concentrations of credit risk and has policies in place to ensure that sales are made to customers with an appropriate credit history.

##### b) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and available funding through an adequate amount of committed credit facilities. The Company ensures it has adequate cover through the availability of bank overdrafts and loan facilities with related parties.

Cash and cash equivalents comprise cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Total cash and cash equivalents held by the Company at 31 December 2016 was £218,733 (2015: £183,773).

### 4. Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with generally accepted accounting practice requires management to make estimates and judgements that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the year-end date and the reported amounts of revenues and expenses during the reporting period. In the opinion of the Directors, key judgements include the expected useful life of intangible assets (see note 2.5) and the likelihood that share option vesting conditions will be met (see note 6).

### 5. Employee benefit expenses

	2016	2015
	£	£
<b>Staff costs for the Company during the period</b>		
Wages and salaries	1,179,951	772,559
Social security costs	137,126	85,628
	<u>1,317,077</u>	<u>858,187</u>
 <b>Average number of people (including executive directors) employed by the Company during the period was</b>	 <b>2016</b>	 <b>2015</b>
	<b>Number</b>	<b>Number</b>
Operational and Risk	7	6
Technology	7	5
Sales and Marketing	3	2
Administration	3	3
	<u>20</u>	<u>16</u>

#### 5a. Directors' emoluments

	2016	2015
	£	£
Remuneration and other emoluments	225,750	140,000
	<u>225,750</u>	<u>140,000</u>

**Notes to the Financial Statements (continued)****5. Employee benefit expenses (continued)****5b. Highest paid director**

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
Amounts included above:		
Emoluments and other benefits	63,750	56,000
	<u>63,750</u>	<u>56,000</u>

**6. Share based payments**

The Company has a HMRC approved share option scheme for certain employees. The options are only exercisable in the event of a sale or listing of the Company and will be settled in equity once exercised. Options are forfeited if an individual leaves the Company before the options vest and if the options remain unexercised after a period of 10 years from the date of grant, they will expire. Since no sale or listing of the Company is considered probable, no charge has been recognised for share based payments.

On 1 July 2016, warrants were granted to a shareholder at an exercise price of £0.01. The warrants were issued in relation to services provided under certain commercial agreements and are conditional on certain thresholds being achieved of introduced investments onto the Company's platform. The warrants are exercisable at any time on or after the vesting date. Any unexercised warrants will expire on 1 July 2021 or in the event of the commercial agreements being terminated prior to the expiry date, 90 days after the termination date. The Company has no legal or constructive obligation to repurchase or settle the warrants in cash. In the opinion of the Directors the value of the corresponding share based payments charge is immaterial and has not been recognised in the financial statements.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	<b>2016</b>		<b>2015</b>	
	<b>Average exercise price per share option £</b>	<b>Number of options</b>	<b>Average exercise price per share option £</b>	<b>Number of options</b>
At 1 January	52.44	9,250	-	-
Granted	5.47	25,800	52.44	9,250
Expired	55.57	(1,050)	-	-
Exercised	-	-	-	-
At 31 December	<u>16.70</u>	<u>34,000</u>	<u>52.44</u>	<u>9,250</u>

Out of the 34,000 (2015: 9,250) outstanding options, 697 (2015: nil) options were exercisable as at 31 December 2016.

Share options outstanding at year end have the following expiry date and exercise prices:

			<b>Share options</b>	
<b>Grant date</b>	<b>Expiry date</b>	<b>Exercise price £</b>	<b>2016 Number</b>	<b>2015 Number</b>
23 December 2015	23 December 2025	52.44	8,300	9,250
1 July 2016	1 July 2017	0.01	6,037	-
1 July 2016	1 July 2018	0.01	6,038	-
1 July 2016	1 July 2019	0.01	6,037	-
1 July 2016	1 July 2020	0.01	6,038	-
28 October 2016	28 October 2026	85.32	1,550	-
			<u>34,000</u>	<u>9,250</u>

**Notes to the Financial Statements (continued)****7. Loss before tax**

The loss for the year has been stated after charging the following:

	Year ended 31 December 2016 £	Year ended 31 December 2015 £
Amortisation of intangible assets	186,348	118,230
Depreciation of property, plant and equipment	29,232	16,736
Auditor's remuneration	11,200	10,500
Auditor's remuneration – non audit:		
- other assurance related services	6,250	13,250
- accounts preparation	2,625	2,550
- tax compliance	2,575	2,500
Operating leases – land and buildings	107,635	47,716
Operating leases – other	35,001	-
Research and development expenditure	109,915	128,534

**8. Taxation**

	Year ended 31 December 2016 £	Year ended 31 December 2015 £
<b>Current tax</b>		
Current tax credit for the year	(400,030)	(42,174)
Total current tax	(400,030)	(42,174)
<b>Deferred tax</b>		
Origination and reversal of timing differences	-	-
Total deferred tax	-	-
<b>Tax credit on loss on ordinary activities</b>	(400,030)	(42,174)

The tax on the Company's loss before tax differs from the theoretical amount that would arise using the standard rate of corporation tax in the UK of 20% (2015: 20%) as follows:

**Tax on loss on ordinary activities**

	Year ended 31 December 2016 £	Year ended 31 December 2015 £
Loss on ordinary activities before tax	(2,144,661)	(2,192,157)
Tax on ordinary activities at standard rate of UK corporation tax of 20% (2015: 20%)	(428,932)	(438,431)
Effects of:		
- expenses not deductible for tax purposes	1,429	6,633
- fixed asset differences	-	22,458
- surrender of tax losses for R&D tax credit refund	83,262	-
- additional deduction for R&D expenditure	(171,131)	-
- adjustments in respect of previous periods	(180,522)	(42,174)
- adjust closing deferred tax to average rate of 20%	(32,351)	-
- adjust closing deferred tax to average rate of 20%	92,906	48,372
- deferred tax not recognised	235,309	360,968
<b>Total tax credit</b>	(400,030)	(42,174)

**Notes to the Financial Statements (continued)****9. Deferred tax**

Deferred tax assets have not been recognised in respect of tax losses and other temporary differences giving rise to deferred tax assets as it is not deemed probable that these assets will meet the recognition criteria of IAS 39, given the uncertainty of profits being made in the foreseeable future against which the tax losses could be utilised.

A deferred tax asset of £573,070 (2015: £360,968) would have been recognised at year end based on timing differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

**10. Intangible assets**

**Intangible assets at 31 December 2016 comprise:**

	<b>Capitalised development £</b>	<b>Software £</b>	<b>Total £</b>
<b>Cost</b>			
At 1 January 2016	152,242	270,240	422,482
Additions	548,644	-	548,644
Completed developments	(608,120)	608,120	-
Disposals	-	(270,240)	(270,240)
At 31 December 2016	<u>92,766</u>	<u>608,120</u>	<u>700,886</u>
<b>Amortisation</b>			
At 1 January 2016		(118,230)	(118,230)
Amortisation charged in the year		(186,348)	(186,348)
Disposals		270,240	270,240
At 31 December 2016		<u>(34,338)</u>	<u>(34,338)</u>
<b>Net book amount</b>			
At 31 December 2016	<u>92,766</u>	<u>573,782</u>	<u>666,548</u>
At 31 December 2015	<u>152,242</u>	<u>152,010</u>	<u>304,252</u>

In 2015, the Company commenced development for a new internal platform. During the year, £455,878 of additions have been capitalised in relation to the development of this platform. The platform was completed in and ready for use on 1 November 2016, and is now being amortised over its estimated useful life on a straight line basis. £34,388 has been charged in the year in the way of amortisation for this asset.

A new development was initiated during the year for the Company's broker system. At the balance sheet date, £92,766 of costs had been capitalised but since the broker system is still in the development phase, no amortisation has been charged.

**Notes to the Financial Statements (continued)****10. Intangible assets (continued)**

Intangible assets at 31 December 2015 comprised:

	<b>Capitalised development £</b>	<b>Software £</b>	<b>Total £</b>
<b>Cost</b>			
At 1 January 2015	106,968	-	106,968
Additions	315,514	-	315,514
Completed developments	(270,240)	270,240	-
At 31 December 2015	<u>152,242</u>	<u>270,240</u>	<u>422,482</u>
<b>Amortisation</b>			
At 1 January 2015		-	-
Amortisation charged in the year		(118,230)	(118,230)
At 31 December 2015		<u>(118,230)</u>	<u>(118,230)</u>
<b>Net book amount</b>			
At 31 December 2015	<u>152,242</u>	<u>152,010</u>	<u>304,252</u>
At 31 December 2014	<u>106,968</u>	<u>-</u>	<u>106,968</u>

**11. Property, plant and equipment**

Property, plant and equipment at 31 December 2016 comprise:

	<b>Computer equipment £</b>	<b>Fixtures &amp; fittings £</b>	<b>Total £</b>
<b>Cost</b>			
At 1 January 2016	26,921	57,981	84,902
Additions	8,943	-	8,943
At 31 December 2016	<u>35,864</u>	<u>57,981</u>	<u>93,845</u>
<b>Depreciation</b>			
At 1 January 2016	(7,962)	(10,641)	(18,603)
Depreciation charged in the year	(10,098)	(19,134)	(29,232)
At 31 December 2016	<u>(18,060)</u>	<u>(29,775)</u>	<u>(47,835)</u>
<b>Net book amount</b>			
At 31 December 2016	<u>17,804</u>	<u>28,206</u>	<u>46,010</u>
At 31 December 2015	<u>18,959</u>	<u>47,340</u>	<u>66,299</u>

**Notes to the Financial Statements (continued)****11. Property, plant and equipment (continued)**

Property, plant and equipment at 31 December 2015 comprised:

	<b>Computer equipment £</b>	<b>Fixtures &amp; fittings £</b>	<b>Total £</b>
<b>Cost</b>			
At 31 December 2014	11,956	-	11,956
Additions	14,965	57,981	72,946
At 31 December 2015	<u>26,921</u>	<u>57,981</u>	<u>84,902</u>
<b>Depreciation</b>			
At 31 December 2014	(1,867)	-	(1,867)
Depreciation charged in the year	(6,095)	(10,641)	(16,736)
At 31 December 2015	<u>(7,962)</u>	<u>(10,641)</u>	<u>(18,603)</u>
<b>Net book amount</b>			
At 31 December 2015	<u>18,959</u>	<u>47,340</u>	<u>66,299</u>
At 31 December 2014	<u>10,089</u>	<u>-</u>	<u>10,089</u>

**12. Investments**

	<b>31 December 2016 £</b>	<b>31 December 2015 £</b>
Investments in subsidiary	1,000	-
	<u>1,000</u>	<u>-</u>

On 12 July 2016 the Company incorporated Landbay Asset Management Limited (formerly Landlock Limited) with 1,000 £1 Ordinary shares.

**Subsidiary undertakings**

At 31 December 2016 the Company's subsidiary undertaking was as follows:

<b>Company</b>	Landbay Asset Management Limited
<b>Principal place of business and country of incorporation</b>	UK
<b>Registered Address</b>	3rd Floor 9 - 11 Grosvenor Gardens London SW1W 0BD
<b>Ownership</b>	100%
<b>Loss for period to 31 December 2016 (£)</b>	(3,749)
<b>Total share capital and reserves as at 31 December 2016 (£)</b>	(3,739)

**Notes to the Financial Statements (continued)****13. Trade and other receivables**

	31 December 2016 £	31 December 2015 £
<b>Amounts due in less than one year:</b>		
Trade receivables	-	12,232
Other receivables	211	6,325
Prepayments and accrued income	124,139	63,239
Corporation tax repayable	219,508	-
	<u>343,858</u>	<u>81,796</u>
<b>Amounts due in more than one year:</b>		
Other receivables	<u>40,560</u>	<u>40,560</u>

The Directors do not consider any impairment provision is necessary against the above assets and consider that the carrying amount of the Company's receivables is a reasonable approximation of their fair value.

**14. Cash and cash equivalents**

	31 December 2016 £	31 December 2015 £
Cash at bank and on hand	<u>218,733</u>	<u>183,773</u>

**15. Share capital**

	2016 £	2015 £
<b>Ordinary shares of £0.01 each</b>		
Number		
Allotted and fully paid:		
At 31 December	<u>147,019</u>	<u>111,350</u>

**16. Share premium**

	2016 £	2015 £
<b>Ordinary shares of £0.01 each</b>		
Number		
Share premium:		
At 31 December	<u>147,019</u>	<u>111,350</u>

The share premium account is used to record the aggregate amount or value of premiums paid above nominal value when the Company's shares are issued at a premium.

On 31 March 2016 31,834 shares were issued for consideration of £2,556,210. Transaction costs, specifically relating to the issue of new shares, of £96,237 were incurred and deducted from equity.

On 30 November 2016 3,835 shares were issued for consideration of £350,120. No transaction costs were incurred on the issues of these shares.



**Notes to the Financial Statements (continued)****17. Deferred consideration reserve**

	2016 £	2015 £
At 1 January	1,127,908	-
Shares issued	(1,478,028)	1,478,028
Amounts deposited	1,110,120	-
At 31 December	<u>760,000</u>	<u>1,478,028</u>

This deferred consideration reserve is used to record equity funding received in consideration for shares to be issued at a future date. When shares are subsequently issued, a transfer is made to share capital and share premium reserves accordingly.

Included within deferred consideration is a director's loan of £100,000 received in 2015 that was reclassified as consideration for shares to be issued at a later date.

**18. Reserves**

	31 December 2016 £	31 December 2015 £
<b>Retained earnings</b>		
Balance brought forward	(2,712,841)	(562,858)
Total comprehensive loss for the period	(1,744,631)	(2,149,983)
Balance carried forward	<u>(4,457,472)</u>	<u>(2,712,841)</u>

Retained earnings are the accumulated, undistributed profits of the Company that have been recognised through the Statement of comprehensive income.

**19. Trade and other payables**

	31 December 2016 £	31 December 2015 £
Trade payables	200,962	164,768
Other taxes and social security	39,625	57,850
Accruals and other payables	87,251	162,745
	<u>327,838</u>	<u>385,363</u>

Accruals and other payables includes £Nil (2015: £100,000) of loans due to directors. There are no formal terms and conditions associated with this loan and the balance is repayable upon demand.

All trade and other payables are denominated in UK Sterling.

The Directors consider that the carrying amount of trade and other payables is a reasonable approximation of their fair value.

**Notes to the Financial Statements (continued)****20. Notes to the cash flow statement**

	Year ended 31 December 2016 £	Year ended 31 December 2015 £
<b>Cash used in operations</b>		
<b>Operating loss for the year</b>	(2,144,661)	(2,192,157)
Adjustments for:		
- Depreciation	29,232	16,736
- Amortisation	186,348	118,230
Changes in working capital		
- Increase in trade and other receivables	(42,554)	(89,232)
- (Decrease)/Increase in trade and other payables	(58,525)	215,601
<b>Cash used in operations</b>	<u>(2,030,160)</u>	<u>(1,930,822)</u>

**21. Operating lease commitments**

At 31 December 2016 the Company has lease agreements in respect of property and licensing agreements.

	31 December 2016 £	31 December 2015 £
<b>Future minimum lease payments under non-cancellable operating leases:</b>		
Within one year	145,121	81,120
Between 2 and 5 years	<u>303,686</u>	<u>254,528</u>
	<u>448,807</u>	<u>335,648</u>

**22. Related parties****Transactions with related parties during the year**

Key management are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. In the opinion of the Board, the Company's key management comprises the Directors and information regarding their emoluments stated in accordance with IFRS is set out in Note 5a.

During the year a shareholder of the Company acted as a loan administrator for the Company. Fees charged for providing these services amounted to £30,474 (2015: £62,439).

Shareholders of the Company also lent money to borrowers via the Company's platform. Interest and other fees earned by these shareholders during 2016 amounted to £74,535 (2015: £125,764). The Company also received service fees of £35,924 in respect of loan completions from shareholders in the year.

Directors' of the Company who are also members of key management personnel, lent money to borrowers via the Company's platform earning interest of £6,455 (2015: £2,340).

The Company did not receive any loans from the Directors in the year. In 2015 the Company received a loan from a director totalling £100,000. There were no formal terms and conditions associated with this loan.

## Notes to the Financial Statements (continued)

### 22. Related parties (continued)

The Company received a payment of £760,000 from a director in consideration for shares to be issued at a future date. £100,000 was transferred from the Director's loan account into deferred consideration as part of this £760,000 payment.

Close family members of the Directors lent money to borrowers via the Company platform earning interest of £18,338 (2015: £18,815).

In 2015 the Company received £500,000 from a close family member of a director in consideration for shares to be issued at a future date. In 2016, the Company did not receive any such payments.

The Company provided management services totalling £3,749 (2015: £nil) to Landbay Asset Management Limited, a wholly owned subsidiary of the Company. As at 31 December 2016, Landbay Asset Management Limited owed £3,739 to the Company.

#### Amounts due to related parties at the balance sheet date

	2016 Borrower loans £	2016 Other amounts £	2015 Borrower loans £	2015 Other amounts £
Shareholders	-	3,175	3,436,455	1,116
Directors	13,656	-	59,234	100,000
Close family members	132,708	-	-	-
	<u>146,364</u>	<u>3,175</u>	<u>3,495,386</u>	<u>101,116</u>

### 23. Contingent liability

The Company holds a reserve fund for the benefit of Lenders. The Company will use the fund to cover missed mortgage interest payments as and when it deems appropriate, and replenish the fund when the Borrower pays.

If a borrower ultimately defaults and there is a shortfall (from the proceeds of repossessing and selling the property, less all related enforcement costs), a claim will be made on the fund for any remaining principal and interest due.

The Company operates its reserve fund on a discretionary basis and does not guarantee that a claim will be approved, nor that there will be sufficient funds available at any given time. As at the date of this report, the balance of the reserve fund was £58,318. There were no claims outstanding against this fund at the date of this report.

### 24. Ultimate controlling party

In the opinion of the Directors there is no ultimate controlling party of Landbay Partners Limited. The day to day management of the Company is controlled by the Board of Directors.

## Notes to the Financial Statements (continued)

### 25. Financial instruments

The Company's financial instruments comprise cash and cash equivalents and items such as trade payables and trade receivables which arise directly from its operations. The main purpose of these financial instruments is to provide finance for the Company's operations.

The Company's operations expose it to a variety of financial risks including market, interest rate and liquidity risks. The management of these risks is vested in the Board.

#### *Market risk*

The most significant areas of market risk to which the Company is exposed are changes in the residential housing market and private rental market.

#### *Interest rate risk*

The Company is exposed to interest rate risk to the extent that changes to interest rates could offer alternative options for lenders to deposit their funds.

#### *Liquidity risk*

The Company seeks to manage liquidity risk to ensure that sufficient liquidity is available to meet foreseeable needs. The Company deems there is sufficient liquidity for the foreseeable future.

Trading assets and liabilities have not been analysed by contractual maturity because trading assets and liabilities are typically held for short periods of time.

The Company had cash and cash equivalents at 31 December 2016 as set out on the Statement of financial position.

#### *Capital risk management*

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide optimal returns for the shareholders. The Company defines capital as being share capital, deferred consideration reserve, share premium and retained earnings. Capital amounts to £769,363 at 31 December 2016 (2015: £291,317).

The adequacy of the Company's financial resources position is managed and monitored in accordance with the FCA rules. The Company must at all times meet the relevant minimum financial resource requirements. The Company is required to maintain a prescribed excess of total financial resources over its financial resource requirements.