

Company registration number: 08302549

LENDING WORKS LIMITED

FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

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LENDING WORKS LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

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LENDING WORKS LIMITED**STATEMENT OF FINANCIAL POSITION****AS AT 31 DECEMBER 2019**

	Note	2019 £	2018 £
Fixed assets			
Tangible assets	6	32,129	40,151
Investments	7	10	-
		32,139	40,151
Current assets			
Debtors	8	94,700	103,080
Cash at bank and in hand	9	467,836	698,535
		562,536	801,615
Creditors: amounts falling due within one year	10	(395,669)	(610,685)
Net current assets		166,867	190,930
Total assets less current liabilities		199,006	231,081
Creditors: amounts falling due after more than one year	11	(1,770,241)	-
Provisions for liabilities	12	(6,104)	(7,629)
Net (liabilities)/assets		(1,577,339)	223,452
Capital and reserves			
Called up share capital	14	8,142	8,060
Share premium account	15	7,108,441	7,068,518
Other reserves	15	532,720	577,480
Profit and loss account	15	(9,226,642)	(7,430,606)
Total capital and reserves		(1,577,339)	223,452

The financial statements have been prepared and delivered in accordance with the provisions applicable to small companies within part 15 of the Companies Act 2006 and Financial Reporting Standard 102 section 1A – ‘The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland for smaller entities’ (‘FRS 102 1A’).

LENDING WORKS LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

The profit and loss account and directors' report have not been delivered to the Registrar of Companies in accordance with the special provisions applicable to companies subject to the small companies regime.

The financial statements were approved by the Board and signed on its behalf by:

Nicholas Harding

N F Harding

Director

Matthew Powell

M D Powell

Director

22 December 2020

Company registration number: 08302549

The notes on pages 3 to 14 form an integral part of these financial statements.

LENDING WORKS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

1. COMPANY INFORMATION

Lending Works Limited (the 'Company') is a private company limited by shares and is registered in England and Wales (company registration number 08302549). The Company is authorised and regulated by the Financial Conduct Authority (firm reference number 723151). The principal activity of the Company throughout the year was the development and provision of an online peer-to-peer lending platform.

The Company's registered office is at 60 Gray's Inn Road, London, WC1X 8AQ.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 section 1A – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland for smaller entities' ('FRS 102 1A'), and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis.

The financial statements are presented in Sterling (£).

The financial statements have also adopted the following disclosure exemptions:

- The requirement to present a statement of cash flows and related notes.

3. SIGNIFICANT JUDGEMENTS AND ESTIMATES

Preparation of the financial statements requires management to make significant judgements and estimates. The following are the judgements made by management in applying the accounting policies of the Company that have the most significant effect on the financial statements.

Going concern

The directors have prepared cash flow projections for the Company covering a period of 12 months from the date of approval of these financial statements. After performing appropriate sensitivity analysis on the Company's cash flow projections, taking into account the Company's future funding arrangements which are subject to regulatory approval, and making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue to meet its financial obligations as they fall due and will remain in operational existence for a period of at least 12 months from the date of approval of these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

LENDING WORKS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

4. PRINCIPAL ACCOUNTING POLICIES

a) Tangible assets

Tangible fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets, other than freehold land, over their expected useful lives, using the straight-line method. The rates applicable are:

- Computer equipment: 3 years
- Furniture and other office equipment: 3 years
- Fixtures and fittings: 5 years

b) Investments

Investments in subsidiaries are accounted for at cost less impairment. Consolidated financial statements have not been prepared as the Company has taken the exemption available in section 399 of the Companies Act 2006 applicable to companies subject to the small companies regime.

c) Impairment of assets

At each reporting date, fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

d) Operating leases

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the lease term, unless the rental payments are structured to increase in line with expected general inflation, in which case the Company recognises annual rent expense equal to amounts owed to the lessor.

The aggregate benefit of lease incentives is recognised as a reduction to the expense recognised over the lease term on a straight-line basis.

LENDING WORKS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2019

e) Provisions for liabilities

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

The Company recognises a provision for annual leave accrued by employees as a result of services rendered in the current period, and which employees are entitled to carry forward and use within the next 12 months. The provision is measured at the salary cost payable for the period of absence.

f) Financial instruments

The Company's principal financial assets and liabilities are cash at bank and borrowings. Cash at bank is carried in the balance sheet at nominal value. Borrowings, other than convertible loan notes, are recognised initially at net proceeds less issue costs and subsequently at amortised cost.

The convertible loan notes issued during the year are considered to be basic financial instruments comprising a financial liability (loan). At the date of issue, the convertible loan notes were included in the balance sheet as a liability at fair value. The fair value of the loan was calculated using the relevant interest rate applicable to the loan notes. Subsequently, the loan notes were accounted for at amortised cost.

On conversion of the loan notes to equity, the difference between the nominal value of the equity issued and the contracted conversion price is credited to the share premium account.

g) Turnover

Turnover arises from the principal activity of the Company and primarily represents the commission charged to borrowers in relation to loans issued via the online peer-to-peer lending platform, comprised of upfront loan arrangement fees and ongoing service fees. Loan arrangement fees are recognised when the borrower accepts the loan. Ongoing service fees, which arise from the difference between the rate payable by the borrower and the rate receivable by the lender, are recognised in line with the loan repayment profile over the life of the loan.

h) Employee benefits

Short-term employee benefits and contributions to defined contribution plans are recognised as an expense in the period in which they are incurred.

LENDING WORKS LIMITED**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED 31 DECEMBER 2019**

i) Share-based payments

The Company makes equity-settled share-based payments to certain employees, advisors and other service providers in the form of share options. The Company measures the fair value of each award using the Black-Scholes option pricing model where appropriate.

The fair value of each award is recognised as an expense in the statement of comprehensive income over the vesting period on a straight-line basis, after adjusting for an estimate of the share awards that will eventually vest. The level of vesting is reviewed at each reporting period and the charge is adjusted to reflect actual and estimated levels of vesting.

j) Taxation

Current tax is recognised for the amount of income tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated.

Deferred tax assets are only 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.

If and when all conditions for retaining tax allowances for the cost of a fixed asset have been met, the deferred tax is reversed.

Deferred tax is calculated 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.

The tax expense/(income) is presented either in profit or loss, other comprehensive income or equity depending on the transaction that resulted in the tax expense/(income).

k) Research and development tax credits

Research and development tax credits are recognised as tax adjustments in the year in which they are received.

LENDING WORKS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

5. EMPLOYEE INFORMATION

The average number of employees of the Company during the year was:

	2019	2018
	£	£
Administrative	16	13
Operations	15	13
Technology	11	7
Total average number of employees	42	33

6. TANGIBLE FIXED ASSETS

	Fixtures & fittings	Furniture & other office equipment	Computer equipment	Total
	£	£	£	£
Cost or valuation				
At 31 December 2018	9,662	21,290	82,090	113,042
Additions during the year	-	719	14,550	15,269
At 31 December 2019	9,662	22,009	96,640	128,311
Depreciation				
At 31 December 2018	6,405	16,703	49,783	72,891
Charge for the year	1,931	2,843	18,517	23,291
At 31 December 2019	8,336	19,546	68,300	96,182
Net book value				
At 31 December 2018	3,257	4,587	32,307	40,151
At 31 December 2019	1,326	2,463	28,340	32,129

LENDING WORKS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

7. INVESTMENTS

Total fixed asset investments comprise:

	2019	2018
	£	£
Interests in subsidiaries	10	-
Total fixed asset investments	10	-

Interests in subsidiaries

At 31 December 2019, the Company had interests in the following subsidiaries:

Subsidiary	Type of shares held	Proportion held	Country of incorporation	Nature of business
Lending Works Capital Limited	Ordinary	100%	United Kingdom	Consumer finance

	Investment in subsidiaries
	£
Cost	
At 1 January 2019	-
Additions in the year	10
At 31 December 2019	10
Accumulated impairment	
At 1 January 2019	-
Impairment loss in the year	-
At 31 December 2019	-
Net book amount	
At 31 December 2018	-
At 31 December 2019	10

LENDING WORKS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

8. DEBTORS

	2019 £	2018 £
Other debtors	45,620	51,719
Prepayments and accrued income	49,080	51,361
Total	94,700	103,080

9. CASH AT BANK AND IN HAND

Cash at bank and in hand includes restricted cash of £17,480 (2018: £528). The balance relates to subsidies received in respect of interest-free retail finance loans. These funds are held in a segregated account with NatWest and will be used to pay loan interest to participating investors as it falls due.

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019 £	2018 £
Trade creditors	62,557	310,063
Taxation and social security	64,261	61,143
Other creditors	20,653	38,049
Accruals and deferred income	248,198	201,430
Total	395,669	610,685

11. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

Amounts falling due between one and five years	2019 £	2018 £
Convertible loan notes	1,770,241	-
Total	1,770,241	-

The convertible loan notes were issued on 19 May 2019 (£715,829) and on 19 June 2019 (£1,005,363) and are unsecured and subordinated in all respects to the rights of other creditors. Interest accrues on the principal amount of £1,721,192 at 10% per annum and is rolled up and payable on maturity. The balance at 31 December 2019 is measured at amortised cost.

LENDING WORKS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

12. PROVISIONS FOR LIABILITIES

	Deferred tax (note 13) £
At 31 December 2018	7,629
Arising during the year	2,901
Utilised	(4,426)
At 31 December 2019	6,104

13. DEFERRED TAXATION

Deferred taxation provided for at 19% (2018: 19%) in the financial statements is set out below:

	2019 £	2018 £
Accelerated capital allowances	6,104	7,629
Total	6,104	7,629

The amount of the net reversal of deferred tax expected to occur next year is £3,707 (2018: £3,827), relating to the reversal of existing timing differences on tangible fixed assets.

14. CALLED UP SHARE CAPITAL

Authorised, allotted and fully paid:	2019 £	2018 £
507,681 ordinary shares of £0.01 each (2018: 499,455)	5,077	4,995
87,142 ordinary A shares of £0.01 each (2018: 87,142)	871	871
219,401 ordinary B shares of £0.01 each (2018: 219,401)	2,194	2,194
28,314 ordinary C shares of £0.000001 each (2018: 28,314)	-	-
Total	8,142	8,060

The Company issued 8,226 ordinary shares of £0.01 each during the year in relation to the exercise of outstanding non-EMI options (621 shares) and an investment into the Company by a non-executive director (7,605 shares).

LENDING WORKS LIMITED**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED 31 DECEMBER 2019****15. RESERVES**

	Share premium account £	Other reserves £	Profit and loss account £	Total £
At 31 December 2018	7,068,518	577,480	(7,430,606)	215,392
Premium on issue of shares	39,923	-	-	39,923
Share-based payments	-	(44,760)	79,605	34,845
Loss for the year	-	-	(1,875,641)	(1,875,641)
At 31 December 2019	7,108,441	532,720	(9,226,642)	(1,585,481)

The premium on issue of shares arising during the year reflects the net proceeds of investment after incremental, directly attributable transaction costs and the nominal value of share capital issued.

'Other reserves' represents the share-based payment reserve in relation to share options granted to certain employees, advisors and other service providers. Full details of share-based payments are set out in note 16.

16. SHARE-BASED PAYMENTS

The Company, at its discretion, may grant share options in relation to its share capital to employees under the 2014 Lending Works Limited Enterprise Management Incentive (EMI) Plan (the "EMI Plan"). In addition, the Company may grant unapproved share options to certain of its advisors and other service providers.

The fair value of share options granted under the EMI Plan is estimated at the date of grant, taking into account the terms and conditions on which the share options were granted. Where options are conditional upon non-market vesting conditions, the Company uses the Black-Scholes option pricing model to assess the fair value of the options. Where options are conditional upon market vesting conditions, the Company assesses the fair value of the options using Monte-Carlo simulation techniques. The fair value of unapproved share options granted is estimated at the date of grant based on the value of services received.

At 31 December 2019, EMI options were held by a total of 12 employees (2018: 12) to subscribe for ordinary shares of £0.01 each in the Company. These options were granted on various dates between June 2014 and August 2017.

The share-based payment charge in the year was £34,845 (2018: £45,086). In addition, £79,605 was released from the share-based payment reserve during the year.

LENDING WORKS LIMITED**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED 31 DECEMBER 2019**

The following table illustrates the number and weighted average exercise price ("WAEP") of, and movements in, share options during the year:

	2019 No.	2019 WAEP	2018 No.	2018 WAEP
Outstanding at 1 January	174,302	£0.01	181,389	£0.01
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	(621)	£0.01	(7,087)	£0.01
Expired during the year	-	-	-	-
Outstanding at 31 December	173,681	£0.01	174,302	£0.01

The following table lists the inputs to the Black-Scholes and Monte-Carlo simulation models used when valuing the share options granted under the EMI Plan:

	2019	2018
Weighted average market value at the grant date	£3.81	£3.81
Weighted average exercise price	£0.01	£0.01
Expected volatility	35%	35%
Risk-free interest rate	2.09%	2.09%
Expected life of options	10 years	10 years
Expected dividends	None	None

LENDING WORKS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

17. LEASING COMMITMENTS

The Company's future minimum operating lease payments are as follows:

	2019	2018
	Land and buildings £	Land and buildings £
Within one year	90,498	90,498
Total	90,498	90,498

On 29 April 2020, the Company issued a termination notice in relation to one of its occupation agreements representing £38,315 of the above balance. The agreement was terminated on 31 October 2020.

18. TRANSACTIONS WITH RELATED PARTIES

During the year, the Company paid £34,327 (2018: £30,000) to NVM Private Equity LLP and £40,103 to Maven Capital Partners UK LLP (2018: £22,133), both of which are corporate shareholders in the Company, in relation to monitoring fees.

At 31 December 2019, no monitoring fees were outstanding (2018: £nil). Included within prepayments is a balance of £9,740 (2018: £7,459) in relation to prepaid Maven Capital Partners UK LLP monitoring fees.

19. ULTIMATE CONTROLLING PARTY

At 31 December 2019, the share capital of the Company was held by the Company's directors and a number of external individual and corporate investors. In the directors' opinion, the Company has no ultimate controlling party.

20. POST BALANCE SHEET EVENTS

On 27 February 2020, the Company raised a further £0.6m via the issue of ordinary E convertible preference shares. In addition, on 28 February 2020, the existing convertible loan notes were converted into ordinary E shares. All ordinary E shares were converted into ordinary D shares on 5 November 2020.

On 26 June 2020, the Company entered into a sale and purchase agreement under which its entire share capital would be acquired by an Alternative Investment Fund Manager (AIFM), subject to regulatory approval. Regulatory approval was obtained in November 2020, with the transaction completing on 15 December 2020. On completion, an initial equity investment of £2.5m was made into the Company, with further funding to be made available as required to ensure that the Company remains financially

LENDING WORKS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2019

resilient and sustainable for the long-term and to support the continued growth of the business over time.

21. AUDIT REPORT

The audit report is unqualified. No reference was made to any matters to which the auditor drew attention by way of emphasis, therefore no emphasis of matter paragraph has been included.

David Pearson
Senior Statutory Auditor
For and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London