

REGISTERED NUMBER: 09011579 (England and Wales)



LENDABLE OPERATIONS LTD

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019



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COMPANY INFORMATION

DIRECTORS:

K M Kissinger
P Pamment
R S Dighero

REGISTERED OFFICE:

Lendable Group
128 Shoreditch High Street
London
E1 6JE

INDEPENDENT AUDITORS:

BDO LLP
55 Baker Street
London
W1U 7EU

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present the strategic report for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

Lendable Operations Ltd ("Lendable", or the "company") operates a consumer lending technology platform. The platform seeks to build a leading position in consumer finance, offering personal loans, credit cards and car finance. The principal activities of the company include credit analysis, data analytics, technology development, asset management, and customer service.

BUSINESS REVIEW

The results of the company for the year show an increase in revenue of 66% to £32.1mill (2018: £19.4mill), and a profit after tax of £14.9mill (2018: £5.5mill). Lendable continued to build its balance sheet during 2019, with cash reserves held at year-end of £25.8mill, no borrowings, and shareholders equity of £26.2mill.

Lendable continues to make significant investments in its technology, risk management, customer service and compliance functions.

CUSTOMER SATISFACTION AND AWARDS

Lendable has won a number of awards over the last 12 months that reflect the growth of the company and excellence in customer service.

Lendable is proud to hold a 5-star rating from 95% of customers on Trustpilot, across thousands of reviews and an average customer rating of 4.9 out of 5.0 on Feefo.com

The company was ranked 6th in the Sunday Times Tech Track 100, a list of the fastest growing UK technology companies. It also ranked 7th in the Deloitte Fast 50 awards.

Lendable's employee benefits and culture were recognised by Tempo UK, where Lendable was ranked third in a list of top startups to work for. In January 2019, Lendable was awarded Non-Mainstream Loan Provider of the Year for the second time in a row by Moneyfacts.

BUSINESS ENVIRONMENT DURING 2019

Throughout 2019 consumer demand for credit remained healthy. The interest rate environment, and credit performance were stable relative to previous years.

COVID-19 IMPACT

The UK government implemented measures to respond to the COVID-19 outbreak in the UK in March 2020. This led to falling demand for personal loans, and created disruption for many businesses and self-employed individuals.

Lendable's technology and business continuity planning have allowed it to operate with all staff working remotely, with no disruption to the operations and services it provides to its customers and investors. It has taken steps to assist borrowers who have suffered income reductions, in line with government policies.

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

PRINCIPAL RISKS AND UNCERTAINTIES

Risk management is overseen by Lendable's Risk Committee. The Risk Committee is a committee of the Lendable Ltd Board which meets at least once a quarter and is chaired by the Chief Risk Officer. The Risk Committee is responsible for the monitoring and controls of compliance with legal and regulatory requirements. These requirements include those of the Financial Conduct Authority (FCA) (which include financial crime, conduct risk and treating customers fairly) and the Information Commissioner's Office (ICO) (Data Protection Act 2018 requirements).

ON BEHALF OF THE BOARD:



.....
Mr K M Kissinger
Director
128 Shoreditch High Street
London
E1 6JE

Date: 15/07/2020

REPORT OF THE DIRECTORS

The directors present their report with the financial statements of the group for the year ended 31 December 2019.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2019 to the date of this report.

K M Kissinger
P Pamment
R S Dighero

DIVIDEND

The results for the year can be found on page 11. The directors do not recommend the payment of a dividend.

GOING CONCERN

The financial statements have been prepared on a going concern basis, which the directors believe to be appropriate. The directors have prepared cash flow projections for the company covering a period of at least 12 months from the date of their approval of these financial statements and the directors consider the company will be able to operate within its available facilities.

PRINCIPAL ACTIVITY

The principal activity of the group in the year under review was that of providing an online marketplace to facilitate investments by institutional and qualified investors into regulated consumer loans, and to hold legal title on behalf of the investors.

FINANCIAL INSTRUMENTS

The financial instruments held by the group mainly consisted of cash deposits held with deposit taking institutions regulated in the United Kingdom. No other material financial instruments are issued by the group, other than those loan notes issued to investors to record their investment in platform loans.

The group also holds some investments on its balance sheet which it has purchased to generate secondary income and support its trading activities. In addition, various financial instruments (e.g. trade debtors, trade creditors, accruals) all arise directly from the group operations.

MANAGEMENT OF FINANCIAL RISK

Lendable sells the economic rights to the loans that it originates and therefore does not retain significant credit risk. The company holds significant cash reserves and therefore considers liquidity risk to be low. It has very low exposure to currency risk as all material transactions are undertaken in GBP. It does not hold significant financial instruments that give rise to market risks.

REPORT OF THE DIRECTORS

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group 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 whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

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.

The directors are responsible for the maintenance and integrity of the corporate and financial information on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

FUTURE DEVELOPMENTS

The company plans to make further investments in its technology and data science capabilities, which will provide the company with further growth opportunities, and help Lendable retain its leading position in these areas. The company also plans to further expand its capital markets and asset management operations.

REPORT OF THE DIRECTORS

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the group's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the group's auditors are aware of that information.

AUDITORS

The auditors, BDO LLP will be proposed for re-appointment in accordance with Section 485 of the Companies Act 2006.

ON BEHALF OF THE BOARD:



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Mr K M Kissinger
Director
128 Shoreditch High Street
London
E1 6JE

Date: 15/07/2020

INDEPENDENT AUDITOR'S REPORT TO DIRECTORS OF LENDABLE OPERATIONS LTD

Opinion

We have audited the financial statements of Lendable Operations Ltd ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 December 2019 which comprise Consolidated Income Statement for the year ended 31 December 2019, Consolidated Statement of Financial Position as at 31 December 2019, Consolidated Statement of Changes in Equity for the year ended 31 December 2019, Company Statement of Financial Position as at 31 December 2019, Company Statement of Changes in Equity for the year ended 31 December 2019, Consolidated Cash Flow statement for the year ended 31 December 2019, and the notes to the 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 of the Parent Company's affairs as at 31 December 2019 and of the Group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements 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 and the Parent Company 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 the preparation of the financial statements is not appropriate; or

INDEPENDENT AUDITOR'S REPORT TO DIRECTORS OF LENDABLE OPERATIONS LTD

- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group 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 the audit:

- the information given in the Strategic report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and Directors' 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 and Directors' report.

INDEPENDENT AUDITOR'S REPORT TO DIRECTORS OF LENDABLE OPERATIONS LTD

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 Report of the Directors, 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 Group's and the 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 responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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:

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

INDEPENDENT AUDITOR'S REPORT TO DIRECTORS OF LENDABLE OPERATIONS LTD

Use of our report

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Matthew Hopkins (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK
15th July 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).


GROUP INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £	2018 £
REVENUE		32,197,384	19,366,118
Operating expenses		(15,497,057)	(10,309,869)
Other operating income		670,850	224,369
Operating profit before share-based charges		17,371,177	9,280,618
Share-based payment charge	17	(290,120)	(2,020,384)
OPERATING PROFIT		17,081,057	7,260,234
Interest receivable and similar income		102,948	10,114
Gains from current asset investments		108,005	-
PROFIT BEFORE TAXATION		17,292,010	7,270,348
Tax	5	(2,383,222)	(1,758,869)
RESULT FOR THE FINANCIAL YEAR		14,908,788	5,511,479
Attributable to: Owners of the parent		14,908,788	5,511,479
Amount to equity:		15,198,908	6,911,863

GROUP STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

	Notes	2019 £	2018 £
FIXED ASSETS			
Intangible assets	7	443,033	71,469
Tangible assets	8	116,983	83,323
		<u>560,016</u>	<u>154,792</u>
CURRENT ASSETS			
Debtors	10, 11	2,677,681	864,355
Cash at bank	CF2	25,807,184	14,873,113
		<u>28,484,865</u>	<u>15,737,468</u>
CREDITORS			
Amounts falling due within one year	12	(2,804,448)	(4,950,128)
NET CURRENT ASSETS		<u>25,680,417</u>	<u>10,787,340</u>
NET ASSETS		<u>26,240,433</u>	<u>10,942,132</u>
CAPITAL AND RESERVES			
Called up share capital	14	7	7
Share premium		4,877,615	4,778,222
Retained earnings	15	21,362,811	6,163,903
SHAREHOLDERS' FUNDS		<u>26,240,433</u>	<u>10,942,132</u>

The financial statements were approved by the board of directors on 15/07/2020 and were signed on its behalf by:


.....
Mr K M Kissinger
Director

Company registration number: 09011579

GROUP STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

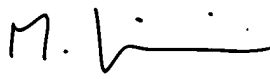
	Called up share capital £	Share premium £	Retained earnings £	Total equity £
Balance at 1 January 2018	6	4,042,710	(747,960)	3,294,756
Changes in equity				
Issue of share capital	1	735,512	-	735,513
Total profit	-	-	5,511,479	5,511,479
Share-based payment charge	-	-	1,400,384	1,400,384
Balance at 31 December 2018	<u>7</u>	<u>4,778,222</u>	<u>6,163,903</u>	<u>10,942,132</u>
Changes in equity				
Issue of share capital	-	99,393	-	99,393
Total profit	-	-	14,908,788	14,908,788
Share-based payment charge	-	-	290,120	290,120
Balance at 31 December 2019	<u>7</u>	<u>4,877,615</u>	<u>21,362,811</u>	<u>26,240,433</u>

COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

	Notes	2019 £	2018 £
FIXED ASSETS			
Intangible assets	7	443,033	71,469
Tangible assets	8	116,983	83,323
Investments	9	12,422	5
		<u>572,438</u>	<u>154,797</u>
CURRENT ASSETS			
Debtors	10, 11	8,288,786	2,673,435
Cash at bank		19,443,237	11,595,506
		<u>27,732,023</u>	<u>14,268,941</u>
CREDITORS			
Amounts falling due within one year	12	(2,084,174)	(3,486,465)
NET CURRENT ASSETS		<u>25,647,849</u>	<u>10,782,476</u>
NET ASSETS		<u>26,220,287</u>	<u>10,937,273</u>
CAPITAL AND RESERVES			
Called up share capital	14	7	7
Share premium		4,877,615	4,778,222
Retained earnings		21,342,665	6,159,044
SHAREHOLDERS' FUNDS		<u>26,220,287</u>	<u>10,937,273</u>

As permitted by s408 Companies Act 2006, the company has not presented its own income statement and related notes. The single entity (Lendable Operations Ltd) profit for the year was £14,893,501 (2018 - £5,511,479).

The financial statements were approved by the board of directors on 15/07/2020 and were signed on its behalf by:


.....
Mr K M Kissinger
Director

Company registration number: 09011579

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

	Called up share capital £	Share premium £	Retained earnings £	Total equity £
Balance at 1 January 2018	6	4,042,710	(752,819)	3,289,897
Changes in equity				
Issue of share capital	1	735,512	-	735,513
Total profit	-	-	5,511,479	5,511,479
Share-based payment charge	-	-	1,400,384	1,400,384
Balance at 31 December 2018	<u>7</u>	<u>4,778,222</u>	<u>6,159,044</u>	<u>10,937,273</u>
Changes in equity				
Issue of share capital	-	99,393	-	99,393
Total profit	-	-	14,893,501	14,893,501
Share-based payment charge	-	-	290,120	290,120
Balance at 31 December 2019	<u>7</u>	<u>4,877,615</u>	<u>21,342,665</u>	<u>26,220,287</u>

GROUP CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £	2018 £
Cash flows from operating activities			
Cash generated from operations	CF1	16,040,283	9,770,693
Tax refund / (payments)		(3,054,746)	16,303
Net cash from operating activities		12,985,537	9,786,996
Cash flows from investing activities			
Purchase of intangible fixed assets	7	(430,822)	(60,452)
Purchase of tangible fixed assets	8	(74,908)	(72,026)
Purchase of current asset investments		(2,372,700)	-
Capital repayments on above		550,236	-
Interest received		102,948	10,114
Realised gains from investments		108,005	-
Net cash from investing activities		(2,117,241)	(122,364)
Cash flows from financing activities			
Share issue	14	99,394	735,513
Net cash from financing activities		99,394	735,513
Increase in cash and cash equivalents		10,967,690	10,400,145
Foreign exchange gains and losses		(33,619)	2,506
Cash and cash equivalents at the beginning of the year	CF2	14,873,113	4,470,462
Cash and cash equivalents at the end of the year	CF2	25,807,184	14,873,113

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

CF1. RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS

	2019 £	2018 £
Profit before taxation	17,292,010	7,270,348
Depreciation and amortisation charges	100,506	65,197
Share-based payment charge	290,120	1,400,384
Interest received	(102,948)	(10,114)
Realised gains recognised in the profit or loss	(108,005)	-
Foreign exchange	33,619	(2,506)
	<u>17,505,302</u>	<u>8,723,309</u>
(Increase)/decrease in trade and other debtors	9,138	(384,965)
Increase/(decrease) in trade and other creditors	(1,474,157)	1,432,349
Cash generated from operations	<u>16,040,283</u>	<u>9,770,693</u>

CF2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the cash flow statement in respect of cash and cash equivalents are in respect of the bank balances on the consolidated Statement of Financial Position.

Year ended 31 December 2019	31.12.2019 £	01.01.2019 £
Cash at bank	<u>25,807,184</u>	<u>14,873,113</u>
Year ended 31 December 2018	31.12.2018 £	01.01.2018 £
Cash at bank	<u>14,873,113</u>	<u>4,470,462</u>

The above tables represent the group position overall.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. STATUTORY INFORMATION

Lendable Operations Ltd (the parent company) is a private company, limited by shares, registered in England and Wales. The company's registered number's and registered office address can be found on the Company Information page.

The consolidated statements consist of the parent entity Lendable Operations Ltd and its three 100% subsidiaries;

Lendable Ltd

Lendable Capital Ltd (incorporated 24 January 2019)

Lendable GP S.à r.l. (incorporated 19 June 2019)

Comparable Ltd (dormant)

2. ACCOUNTING POLICIES

Basis of preparing the financial statements

These financial statements have been prepared in accordance with FRS 102 (the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland).

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires group management to exercise judgement in applying the group's accounting policies. Details of significant judgements and estimates can be found below within the accounting policies.

The group assessed its expected operating performance and liquidity requirements in light of COVID-19. Given the groups strong balance sheet and having reviewed forecast income statement performance models, management have a more than reasonable expectation that the company has adequate resources to continue for the foreseeable future, accordingly the financial statements continue to adopt the going concern basis.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and its subsidiaries controlled by the group. Control is achieved where the group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries which are acquired or disposed of during the year are included in total comprehensive income from the date of acquisition and to the date of disposal applying accounting policies that are consistent with the group. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Parent company disclosure exemptions

In preparing the separate financial statements of the parent company, advantage has been taken of the following disclosure exemptions available to qualifying entities:

- Only one reconciliation of the number of shares outstanding at the beginning and end of the period has been presented as the reconciliations for the group and the parent company would be identical;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- No cash flow statement or net debt reconciliation has been presented for the parent company;
- Disclosures in respect of the parent company's income, expense, net gains and net losses on financial instruments measured at amortised cost have not been presented as equivalent disclosures have been provided in respect of the group as a whole;
- Disclosures in respect of the details of the parent company's share-based payment arrangements have not been presented as equivalent disclosures have been provided in respect of the group as a whole;
- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the group as a whole; and
- The company has taken advantage of the exemption in section 408 of the Companies Act from disclosing its individual income statement.

Significant judgements and estimates

The preparation of financial statements requires management to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying 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 a continuing 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 key judgements and sources of estimation uncertainty that have a significant effect on the amounts recognised in the financial statements are described below:

Share based payments

Significant estimates and judgements include the estimation of the fair value of share based payments. The group has used the Black-Scholes valuation model to determine the fair value of share based payments. Any changes to volatility and assumptions made by management will impact the valuation. Further information can be found in notes of the financial statements.

Fair value

The group holds assets on its balance sheet which require estimates and judgements regarding the market value of these items, estimates and judgements have been made using level 2 and 3 inputs including; third party verification, public information, commercial pricing and the using existing management experience with these types of asset, to value share based payments and investments including within debtors.

Impairment of debtors

The group makes an estimate of the recoverable value of current asset investments, trade and other debtors. When assessing impairment of current asset investments, trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience with these types of asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Revenue and other income

The group's revenue comprises mainly of fees generated in respect of the online platform, income is also generated from advisory fees. The policy's adopted for revenue items are as follows:

Origination Fees

Revenue from origination fees represents an administration fee charged to borrowers and is fully recognised when the borrower is accepted for the loan, on the origination date.

Repayment and Servicing Fees

Income from loan notes issued represents the share of principal and interest received and retained by Lendable Ltd under the terms of the loan note subscriptions and loan purchase and servicing deeds in issue with investors. Repayment fees are a fixed percentage of principal and interest payments made by borrowers and they are recognised when payments are made by the borrowers. Servicing fees are a fixed percentage of the total loan outstanding on any given day charged to investors.

Additional servicing fees

Revenue from additional servicing fees, are invoiced on behalf of the company's subsidiary Lendable Ltd. The income is generated based on the performance of loans held by investors under loan purchase and servicing deeds with Lendable Ltd, the income is recognised at the stage when conditions are met.

Investment advisory fees

Revenue from investment advisory fees represents the net invoiced services provided it is recognised by reference to the stage of any advice provided to date, gross of any Value Added Tax.

Referral income

Revenue from referrals represents net invoiced services provided; it is recognised by reference to the stage of completion of any service at the balance sheet date gross of any Value Added Tax.

Other income

Commercial grants

Grants are accounted for under the accruals model as permitted by FRS 102, grants are recognised in other income and are recognised as and when the conditions have been met and relate to expenditure undertaken by the group.

Interest receivable

Bank interest is recognised using the effective interest method. Interest from investment and lending activities is variable and so is recognised when it has been received as paid.

Intangible assets

Intangible assets are initially measured at cost. After initial recognition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses. There is an annual impairment review of the intangible assets to determine whether impairment has occurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Purchased intangibles

Website and software development

Development costs are being amortised evenly over their estimated useful life of between 2-5 years. Amortisation does not begin on website development costs until the feature capitalised goes live and is available for use, both internal or customer.

Integration and intellectual property

Integration set up costs are amortised evenly over their estimated useful life of 3 years. Intellectual property is written off over the expected useful production life of the asset between 1-2 years.

Consumable data

The group purchases various consumable data samples to improve its overall internal modelling, which assist in the underwriting of assets, these are amortised over the expected useful life of the data on internal modelling, expected useful life of these assets is between 2-5 years.

Internally generated intangibles

Development costs

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

- It is technically feasible to complete the intangible asset so that it will be available for use;
- there is an intention and the ability to use or sell the intangible asset;
- adequate technical, financial and other resources are available to complete the development and to use or sell the intangible asset;
- it is probable that the asset will result in a flow of future economic benefits; and
- the expenditure attributable to the asset can be reliably measured.

The useful life of internally generated intangibles ranges between 2-5 years.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

- Fixtures fittings – 25% on cost
- Computer equipment – 25% on cost

Investments

In the company's individual accounts, investments in subsidiaries are measured at cost less accumulated impairment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, 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 group after deducting all of its liabilities.

Basic financial assets and liabilities

Basic financial assets, which include debtors and cash and bank balances are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Financial assets classified as receivable within one year are not amortised.

Basic financial liabilities, which include creditors, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of future receipts discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Trade and other receivables

Trade and other receivables are measured at transaction price less any impairment unless the arrangement constitutes a financing transaction in which case the transaction is measured at the present value of the future receipts discounted at the prevailing market rate of interest.

Loans held are initially measured at fair value when purchased and revalued at year end. Management uses existing third-party commercial pricing and management experience with these types of asset to revalue the loan assets.

Debtors due in more than 12 months

The group holds an investment on its balance sheet within current asset investments which has a maximum capital repayment period of 8 years from the date of investment. This is carried at the net asset value issued and verified by an independent third party.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash held at banks, includes deposits held at call and other short-term liquid cash with maturities of six months or less. Cash held in trust or on behalf of investors is not shown on the balance sheet, due this cash being held in trust, Lendable does not have the associated risks and rewards for the cash and there would otherwise be a corresponding liability.

Trade and other payables

Trade and other payables are measured at their transaction price unless the arrangement constitutes a financing transaction in which case the transaction is measured at present value of future payments discounted at the prevailing market rate of interest. Other financial liabilities are initially measured at fair value net of their transaction costs. They are subsequently measured at amortised cost using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Equity instruments

Equity comprises of the following:

- "Share capital" represents the nominal value of equity shares
- "Share premium" represents the value paid above the nominal value
- "Retained earnings" represents retained profits.

Employee benefits

The cost of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets. The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Pension costs and other post-retirement benefits

The group operates a defined contribution pension scheme. Contributions payable to the group's pension scheme are charged to the profit or loss in the period to which they relate.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the statement of financial position 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 result.

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 tax rates 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. Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against future taxable profits or against the reversal of deferred tax liabilities.

Deferred tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

Research and development

Expenditure on research and development is written off against the profits in the year which it is incurred.

Share-based payments

Share-based compensation benefits are provided to employees and third parties under various equity settled schemes. The fair value of the options and warrants granted is recognised as an expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value. The total expense is recognised over the expected vesting period, which is the period over which the vesting conditions are expected to be satisfied.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. GROUP FINANCIAL RISK MANAGEMENT

Lendable Operations Ltd, through the directors, has overall responsibility for the establishment and oversight of the company's risk management framework.

The risk management policies are established to identify and analyse the risks faced by the group, to set appropriate risk limits and controls, and to monitor risks and ensure any limits are adhered to. The group's activities are reviewed regularly, and potential risks are considered.

The group's risk management programme seeks to minimise potential adverse effects on the group's financial performance.

Risk factors

The group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk

Credit risk

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from cash and cash equivalents held at banks, as well as current asset investments.

There is no residual credit risk to the group from loans issued to third party borrowers under loan purchase and servicing deeds with investors. The risk relates to small amounts that may be payable in exceptional operational and contractual circumstances.

The group does however hold a pool of loans which had been purchased in the year at fair value and were revalued at the year end, taking into account any impairment required.

The group has implemented certain operational processes and policies to address the company's credit related risks around counterparty risk and transactional bad debt. The credit quality of the financial assets has been assessed and no further impairment is required.

Counterparty risk in relation to cash and cash equivalents held is managed by selecting and working only with appropriate financial institutions. The financial stability of the partners will be assessed prior to and at regular intervals during the relationship.

Transactional bad debt, or loss, risk is managed by regular monitoring. Revenue largely arises from fees charged and they carry no bad debt risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The group's maximum exposure to credit risk by class of financial asset is as follows:

	2019 £	2018 £
- Investments	1,690,968	34,268
- Trade debtors	360,391	36,083
- Other debtors and cash in transit	143,624	581,338
- Cash and cash equivalents	25,807,184	14,873,113

Credit risk is mitigated as cash and cash equivalents are held with UK banks and UK financial institutions which are either PRA or FCA authorised. The above table excludes values where not classed as a financial asset.

	2019 £	2018 £
- Cash held on behalf of investors in restricted prefunding and distribution accounts	18,263,110	10,904,727

The above table represents cash held by Lendable Ltd in UK banks and UK financial institutions however these balances are held in trust or on behalf of investors and Lendable does not have the risk and rewards for the cash held and therefore has not been recognised as an asset with a corresponding liability. Restricted prefunding and investor funds fall due in line with the underlying terms and conditions of the loan note subscription or loan purchase and servicing deed signed.

In the prior year financial statements cash was shown as including the restricted investor cash, with a corresponding liability. This has been shown as a restatement in the prior year in the financial statements of Lendable Ltd so that it is not shown within cash at bank. Due to it being an equal amount against assets and liabilities there has been no impact on equity.

Liquidity risk

Liquidity risk is the risk that the companies within the group will not be able to meet its financial obligations as they fall due. The group's approach to managing liquidity is to ensure that it will always be in a position where it has sufficient liquid assets to meet its liabilities as they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's position.

It is in the group's operations to monitor the liquidity position on an ongoing basis. The amounts disclosed below are the contractual undiscounted cash flows.

As at 31 December 2019	<1 year	1-5 years	5-10 years	Total
Financial assets	£	£	£	£
Investments	-	700,886	990,082	1,690,968
Trade and other debtors	504,015	-	-	504,015
Cash and cash equivalents	25,807,184	-	-	25,807,184
	<u>26,311,199</u>	<u>700,886</u>	<u>990,082</u>	<u>28,002,167</u>
Financial liabilities				
Trade and other creditors	1,914,991	-	-	1,914,991
	<u>1,914,991</u>	<u>-</u>	<u>-</u>	<u>1,914,991</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2018	<1 year	1-5 years	5-10 years	Total
Financial assets	£	£	£	£
Investments	-	34,268	-	34,268
Trade and other debtors	617,421	-	-	617,421
Cash and cash equivalents	14,873,113	-	-	14,873,113
	<u>15,490,534</u>	<u>34,268</u>	<u>-</u>	<u>15,524,802</u>
Financial liabilities				
Trade and other creditors	3,390,146	-	-	3,390,146
	<u>3,390,146</u>	<u>-</u>	<u>-</u>	<u>3,390,146</u>

Above table excludes values where not classed as a financial asset or financial liability.

Market risk

The group does not have significant exposure to liquidity, cash flow or interest rate risk and therefore no sensitivity analysis for those risks has been disclosed.

Capital Management

The group considers its capital to comprise of ordinary share capital adding its accumulated retained earnings. The objective of the directors of the parent company, Lendable Operations Ltd, when managing capital is to safeguard the group's ability to continue as a going concern in order to provide returns for the shareholders.

The group is not currently subject to any specific externally imposed capital requirements; however, Lendable Ltd, the company, is authorised by the Financial Conduct Authority. The group has in place adequate financial resources.

4. GROUP EMPLOYEES

The average monthly number of persons employed by the group and company during the year was:

	2019	2018
	£	£
Operations, credit and servicing	33	24
Administration and management	21	13
	<u>54</u>	<u>37</u>

Staff costs for the group and company consist of:

	2019	2018
	£	£
Wages and salaries	3,307,237	2,116,735
Social security costs	395,331	250,640
Pension contributions	41,882	19,258
	<u>3,744,450</u>	<u>2,386,633</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

A defined contribution pension scheme is operated by Lendable Operations Ltd on behalf of the employees. The assets of the scheme are held separately from those of the group in an independently administered fund. Company contributions amounting to £4,959 (2018 - £2,453) were payable to the fund at year end and are included in creditors.

Directors remuneration

The following was paid in respect of the group's directors:

	2019 £	2018 £
Remuneration for qualifying services	120,000	120,000
Pension contributions	1,188	703
	121,188	120,703

The highest paid director during the year received remuneration of £61,188 (2018 – £60,703). 24,275 options were exercised by the directors during the year (2018 – Nil).

5. GROUP TAXATION

	2019 (£)	2018 (£)
Current tax		
Current tax	2,802,300	1,557,142
Adjustments for prior periods	(404,201)	-
Total current tax charge	2,398,099	1,557,142
Deferred tax		
Origination and reversal of timing differences	(14,877)	11,438
Effect of losses carried forward	-	190,289
Total deferred tax charge	(14,877)	201,727
Tax on profit on ordinary activities	2,383,222	1,758,869
	2019 (£)	2018 (£)
Profit before taxation	17,292,010	7,270,348
Profit multiplied by the standard rate of tax of 19% (2018 – 19%)	3,285,482	1,381,366
Effects of:		
Expenses not deductible for tax purposes	124,327	398,815
Capital allowances in excess of depreciation	(89,552)	(20,542)
Share scheme deduction	(34,452)	(14,677)
R&D tax credits and surrenders	(483,505)	(7,860)
Unadjusted 2018 R&D credit	(404,201)	-
Losses carried forward and deferred tax	(14,877)	21,767
Tax charge per accounts	2,383,222	1,758,869

The deferred tax liability present within creditors is Nil (2018 – £14,876).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. AUDITORS' REMUNERATION

	2019 £	2018 £
Total Fees payable	<u>50,000</u>	<u>37,500</u>

The fees payable are the fees to the group's auditors for the audit of the group and each individual company financial statements (excluding VAT). There were no non-audit services carried out by the appointed auditor. The amounts stated above were all borne by the parent company Lendable Operations Ltd.

7. INTANGIBLE FIXED ASSETS

	Website and software £	Data bases £	Intellectual property £	Total £
COST				
At 01.01.2019	62,852	30,600	24,000	117,452
Additions	375,322	55,500	-	430,822
At 31.12.2019	<u>438,174</u>	<u>86,100</u>	<u>24,000</u>	<u>548,274</u>
AMORTISATION				
At 01.01.2019	27,050	6,933	12,000	45,983
Charge for the year	42,058	5,200	12,000	59,258
At 31.12.2019	<u>69,108</u>	<u>12,133</u>	<u>24,000</u>	<u>105,241</u>
NET BOOK VALUE				
At 31.12.2019	369,066	73,967	-	443,033
At 31.12.2018	<u>35,802</u>	<u>23,667</u>	<u>12,000</u>	<u>71,469</u>

The table above represents the intangible fixed assets of both the group and the company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. TANGIBLE FIXED ASSETS

	Fixtures & Leasehold £	Computer equipment £	Total £
COST			
At 01.01.2019	36,888	82,049	118,937
Additions	31,454	43,454	74,908
At 31.12.2019	<u>68,342</u>	<u>125,503</u>	<u>193,845</u>
DEPRECIATION			
At 01.01.2019	10,666	24,948	35,614
Charge for the year	18,176	23,072	41,248
At 31.12.2019	<u>28,842</u>	<u>48,020</u>	<u>76,862</u>
NET BOOK VALUE			
At 31.12.2019	<u>39,500</u>	<u>77,483</u>	<u>116,983</u>
At 31.12.2018	<u>26,222</u>	<u>57,101</u>	<u>83,323</u>

The table above represents the tangible fixed assets of both the group and the company.

9. FIXED ASSET INVESTMENTS

	Group		Company	
	2019 £	2018 £	2019 £	2018 £
<u>Investments in subsidiaries</u>				
Net book value b/fwd	-	-	5	5
Additions	-	-	12,417	-
Impairment	-	-	-	-
Net book value c/fwd	<u>-</u>	<u>-</u>	<u>12,422</u>	<u>5</u>

The company's investments are made up of its investment in the share capital of subsidiaries which includes:

Comparable Ltd

Registered office: 128 Shoreditch High Street, London, E1 6JE

Nature of business: N/A – Dormant company

Holding – 100% ordinary shares

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Lendable Ltd

Registered office: 128 Shoreditch High Street, London, E1 6JE
Nature of business: Online marketplace - regulated consumer loans
Holding – 100% ordinary shares

	2019 £	2018 £
Aggregate capital and reserves	10,000	4,862
Profit for the year	5,001,301	3,098,914

Lendable Capital Ltd

Registered office: 128 Shoreditch High Street, London, E1 6JE
Nature of business: Investment advisory services
Holding – 100% ordinary shares
Incorporated on 24/01/2019

	2019 £	2018 £
Aggregate capital and reserves	10,000	-
Profit for the year	38,149	-

Lendable GP Sàrl

Registered office: Ave Monterey 40, 2163 Luxembourg, Luxembourg
Nature of business: Investment vehicle
Holding – 100% ordinary shares
Incorporated on 19/06/2019

	2019 £	2018 £
Aggregate capital and reserves	12,148	-
Profit for the year	148	-

The investments held relate to non-listed wholly owned subsidiaries.

10. DEBTORS: FALLING DUE WITHIN 12 MONTHS

	Group		Company	
	2019 £	2018 £	2019 £	2018 £
Trade debtors	360,391	36,083	124,596	36,083
Other debtors	143,624	581,338	71,084	28,794
Prepayments	482,698	212,666	482,698	212,666
Intercompany balances	-	-	5,919,440	2,351,021
	<u>986,713</u>	<u>830,087</u>	<u>6,597,818</u>	<u>2,628,564</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. INVESTMENTS: DEBTORS FALLING DUE AFTER 12 MONTHS

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Loans & investments level 2	990,082	-	990,082	-
Loans & investments level 3	700,886	34,268	700,886	44,871
	<u>1,690,968</u>	<u>34,268</u>	<u>1,690,968</u>	<u>44,871</u>
<i>Level 3 reconciliation</i>				
	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Opening balance	34,268	38,538	44,871	41,792
Additions	872,700	3,554	872,700	3,554
Cash received	(260,366)	(7,824)	(270,969)	(475)
Fair value movement	54,284	-	54,284	-
	<u>700,886</u>	<u>34,268</u>	<u>700,886</u>	<u>44,871</u>

12. CREDITORS: FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Trade creditors	613,077	479,786	613,077	479,786
Corporation tax, other taxes	1,083,557	1,678,327	496,293	951,420
Other creditors	280,538	1,044,354	147,528	317,796
Accruals	827,276	1,747,661	827,276	1,737,463
	<u>2,804,448</u>	<u>4,950,128</u>	<u>2,084,174</u>	<u>3,486,465</u>

13. LEASING AGREEMENTS & CAPITAL COMMITMENTS

The following commitments fall due as follows:

	2019	2018
	£	£
Within one year	532,709	345,123
Between one and five years	1,500,000	149,350
	<u>2,032,709</u>	<u>494,473</u>

The amount due after 12 months relates to an investment with a capital call term of 3 years, the balance represents the uncalled capital. The above table represents the operating lease and capital commitments for both the group and the company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number	Class	Nominal value	2019 (£)
6,649,242	Ordinary	0.000001p	7
Number	Class	Nominal value	2018 (£)
6,555,275	Ordinary	0.000001p	7

15. GROUP PROFIT AND LOSS RESERVES RECONCILIATION

	2019 £	2018 £
Retained earnings brought forward	6,163,903	(747,960)
Profit after tax for the year/Share-based payment charge/Warrant cancellation fee/Retained earnings carried forward	14,908,788	5,511,479
	290,120	2,020,384
	-	(620,000)
	21,362,811	6,163,903

16. POST BALANCE SHEET EVENTS

The company have considered the effects of the COVID-19 pandemic on the business and have determined that there has been no material impact on its current operations and do not expected a material impact on its future operations.

17. SHARE-BASED PAYMENT TRANSACTIONS

During the year ended 31 December 2019, the group had a combination of share-based payment arrangements in place which are described below.

Employee options

Lendable Operations Ltd operates an equity-settled Enterprise Management Incentive (EMI) scheme for employees. At 31 December 2019, the company had 1,446,765 share options in issue. Details of numbers and movements in the share options during the year are as follows:

	Number 2019	WAEP* 2019	Number 2018	WAEP* 2018
Outstanding at the beginning of the year	1,315,004	£1.5691	599,836	£1.3419
Granted during the year	246,007	£2.6451	827,892	£2.4181
Exercised during the year	(113,246)	£0.6375	(102,335)	£0.5345
Lapsed during the year	(1,000)	£2.2848	(10,389)	£1.8859
Outstanding at the end of the year	1,446,765	£1.8245	1,315,004	£1.5691

(*) WAEP – weighted average exercise price

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The average contractual life was 1-5 years (2018 – 1-5 years). 165,213 options outstanding at the end of the year, had been fully vested (whole option agreement) and were exercisable at the end of the year (2018 – 74,697).

Fair value

The fair value of equity settled share options granted is estimated as at the date of grant and the equity settled warrants are valued when each unit condition has been met.

The Black-Scholes model has been used to estimate the fair value of both the employee options and the warrants, taking into account the terms and conditions upon which the options were granted.

The following assumptions were made in valuing the options:

	2019	2018
Average market value (various)	£5.714	£1.742
Average exercise price (various)	£2.196	£1.859
Expected life*	1-5 years	1-5 years
Expected volatility	47.5-55.9%	45.9-72.0%
Risk-free interest rate	0.625-0.843%	0.325-0.843%
Provision for leavers	12.5%	12.5%
Dividend Yield	-	-

A proportion of the options issued vest upon qualifying events being carried out and therefore a charge shall be recognised as and when such criteria for those employees have been met.

Charge

The share-based remuneration expense comprises:

	2019	2018
	£	£
Expense arising from employee options	290,120	247,262
Expense arising from warrants	-	1,773,122
	<u>290,120</u>	<u>2,020,384</u>

Within the above charge £290,120 is equity settled and therefore there is an equal and opposite credit to the profit and loss reserves.

Due to Lendable Operations Ltd being an unlisted entity, the expected volatility has been determined by calculating the historical volatility of comparator listed Companies which has been used to estimate the expected volatility of Lendable Operation's share options as at the grant date. This may not necessarily be the actual outcome.