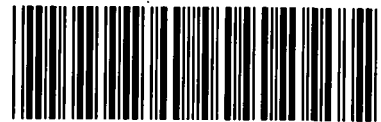


Company registration number: 08302549

LENDING WORKS LIMITED

FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2018

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LENDING WORKS LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

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LENDING WORKS LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Note	2018 £	2017 £
Fixed assets			
Tangible assets	6	40,151	27,642
		40,151	27,642
Current assets			
Debtors	7	103,080	95,153
Cash at bank and in hand	8	698,535	782,912
		801,615	878,065
Creditors: amounts falling due within one year	9	(610,685)	(549,138)
Net current assets		190,930	328,927
Total assets less current liabilities		231,081	356,569
Creditors: amounts falling due after more than one year	10	-	(600,329)
Provisions for liabilities	11	(7,629)	(5,252)
Net assets/(liabilities)		223,452	(249,012)
Capital and reserves			
Called up share capital	13	8,060	5,894
Share premium account	14	7,068,518	4,523,782
Other reserves	14	577,480	532,394
Profit and loss account	14	(7,430,606)	(5,311,082)
Total capital and reserves		223,452	(249,012)

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’).

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.

LENDING WORKS LIMITED

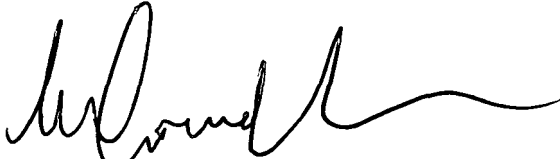
STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 31 DECEMBER 2018

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



N F Harding
Director



M D Powell
Director

4 July 2019

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 2018

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.

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 these projections 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 its financial statements.

LENDING WORKS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

3. SIGNIFICANT JUDGEMENTS AND ESTIMATES

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made include:

Share-based payments

Estimating the fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and the dividend yield and making assumptions about them.

The Company utilises various option pricing techniques, including the Black-Scholes option pricing model and Monte-Carlo simulation, to value options granted under the 2014 Lending Works Limited Enterprise Management Incentive (EMI) Plan. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 15.

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) 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

LENDING WORKS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

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.

c) 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.

d) 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.

e) 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.

LENDING WORKS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

f) 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.

g) 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.

h) 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.

i) 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).

LENDING WORKS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

j) Research and development tax credits

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

5. EMPLOYEE INFORMATION

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

	2018 £	2017 £
Administrative	13	12
Operations	13	10
Technology	7	7
Total average number of employees	33	29

LENDING WORKS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

6. TANGIBLE FIXED ASSETS

	Fixtures & fittings £	Furniture & other office equipment £	Computer equipment £	Total £
Cost or valuation				
At 31 December 2017	9,662	17,426	51,900	78,988
Additions during the year	-	3,864	30,190	34,054
At 31 December 2018	9,662	21,290	82,090	113,042
Depreciation				
At 31 December 2017	4,474	12,381	34,491	51,346
Charge for the year	1,931	4,322	15,292	21,545
At 31 December 2018	6,405	16,703	49,783	72,891
Net book value				
At 31 December 2017	5,188	5,045	17,409	27,642
At 31 December 2018	3,257	4,587	32,307	40,151

7. DEBTORS

	31 Dec 2018 £	31 Dec 2017 £
Other debtors	51,719	49,176
Prepayments and accrued income	51,361	45,977
Total	103,080	95,153

LENDING WORKS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

8. CASH AT BANK AND IN HAND

Cash at bank and in hand includes restricted cash of £528 (2017: £1,791). The balance relates to retailer 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 relevant lenders as it falls due.

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 Dec 2018 £	31 Dec 2017 £
Trade creditors	310,063	196,080
Taxation and social security	61,143	51,294
Other creditors	38,049	86,791
Accruals and deferred income	201,430	214,973
Total	610,685	549,138

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

Amounts falling due after more than five years	31 Dec 2018 £	31 Dec 2017 £
Convertible loan notes	-	600,329
Total	-	600,329

The convertible loan notes were issued on 29 December 2017 and were both unsecured and subordinated in all respects to the rights of other creditors. Interest accrued on the principal amount of £600,000 at 10% per annum, payable in arrears. The debt was converted into ordinary B and ordinary C shares upon completion of the Company's Series A investment on 9 April 2018.

LENDING WORKS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

11. PROVISIONS FOR LIABILITIES

	Deferred tax (note 12) £
At 31 December 2017	5,252
Arising during the year	6,470
Utilised	(4,093)
At 31 December 2018	7,629

12. DEFERRED TAXATION

Deferred taxation provided for at 19% (2017: 19%) in the financial statements is set out below:

	31 Dec 2018 £	31 Dec 2017 £
Accelerated capital allowances	7,629	5,252
Total	7,629	5,252

The amount of the net reversal of deferred tax expected to occur next year is £3,827 (2017: £3,252), relating to the reversal of existing timing differences on tangible fixed assets.

13. CALLED UP SHARE CAPITAL

Authorised, allotted and fully paid:	31 Dec 2018 £	31 Dec 2017 £
499,455 ordinary shares of £0.01 each (2017: 502,268)	4,995	5,023
87,142 ordinary A shares of £0.01 each (2017: 87,142)	871	871
219,401 ordinary B shares of £0.01 each (2017: None)	2,194	-
28,314 ordinary C shares of £0.000001 each (2017: None)	-	-
Total	8,060	5,894

On 9 April 2018, the Company passed a special resolution to reduce the capital of the company. The share capital was reduced by £99.00 comprising 9,900 ordinary shares.

On 9 April 2018, the Company also completed its Series A investment, raising £2,839,269 (before transaction costs) from new and existing shareholders, including the conversion of £600,000 of

LENDING WORKS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2018

convertible loan notes plus accrued interest of £14,630. As a result, the Company issued 219,401 ordinary B shares of £0.01 each and 28,314 ordinary C shares of £0.000001 each.

In addition, the Company issued 7,087 ordinary shares of £0.01 each during the year in relation to the exercise of EMI options by employees.

14. RESERVES

	Share premium account £	Other reserves £	Profit and loss account £	Total £
At 31 December 2017	4,523,782	532,394	(5,311,082)	(254,906)
Premium on issue of shares	2,544,736	-	-	2,544,736
Share-based payments	-	45,086	-	45,086
Loss for the year	-	-	(2,119,524)	(2,119,524)
At 31 December 2018	7,068,518	577,480	(7,430,606)	215,392

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 15.

15. 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.

LENDING WORKS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2018

At 31 December 2018, EMI options were held by a total of 12 employees (2017: 15) 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 £45,086 (2017: £144,894). There have been no cancellations or modifications to these share options since the date of grant.

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

	2018 No.	2018 WAEP	2017 No.	2017 WAEP
Outstanding at 1 January	181,389	£0.01	177,444	£0.01
Granted during the year	-	-	5,046	£0.01
Forfeited during the year	-	-	(160)	£0.01
Exercised during the year	(7,087)	£0.01	(941)	£0.01
Expired during the year	-	-	-	-
Outstanding at 31 December	174,302	£0.01	181,389	£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:

	31 Dec 2018	31 Dec 2017
Weighted average market value at the grant date	£3.81	£4.14
Weighted average exercise price	£0.01	£0.01
Expected volatility	35%	35%
Risk-free interest rate	2.09%	2.08%
Expected life of options	10 years	10 years
Expected dividends	None	None

LENDING WORKS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2018

16. LEASING COMMITMENTS

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

	31 Dec 2018 Land and buildings £	31 Dec 2017 Land and buildings £
Within one year	90,498	86,187
Total	90,498	86,187

17. TRANSACTIONS WITH RELATED PARTIES

During the year, the Company paid £30,000 (2017: £17,500) to NVM Private Equity LLP and £22,133 to Maven Capital Partners UK LLP (2017: £nil), both of which are corporate shareholders in the Company, in relation to monitoring fees.

At 31 December 2018, no monitoring fees were outstanding (2017: £nil). Included within prepayments is a balance of £7,459 (2017: £nil) in relation to prepaid Maven Capital Partners UK LLP monitoring fees.

18. ULTIMATE CONTROLLING PARTY

At 31 December 2018, 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.

19. POST BALANCE SHEET EVENTS

On 1 May 2019, the Company issued £0.7m of unsecured subordinated convertible loan notes to existing corporate shareholders. On 13 June 2019, a further £1.0m of unsecured subordinated convertible loan notes was issued, on the same terms, to new and existing angel investors. Interest accrues on the principal amount at 10% per annum, payable in arrears.

The debt is convertible into a new class of shares, ordinary D shares, upon completion of the Company's Series B investment, which is expected to be completed by Q1 2020.

LENDING WORKS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2018

20. 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