

Company Registration No. SC468392 (Scotland)

Edinburgh Alternative Finance Limited

financial statements

for the year ended 31 December 2022

Pages for filing with Registrar

Edinburgh Alternative Finance Limited

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Edinburgh Alternative Finance Limited**Balance sheet****as at 31 December 2022**

		2022	2021
	Notes	£	£
Fixed assets			
Tangible assets	4	17,515	14,062
Current assets			
Debtors	5	326,219	131,977
Cash at bank and in hand		482,866	808,956
		<u>809,085</u>	<u>940,933</u>
Creditors: amounts falling due within one year	6	<u>(568,457)</u>	<u>(289,846)</u>
Net current assets		<u>240,628</u>	<u>651,087</u>
Total assets less current liabilities		<u>258,143</u>	<u>665,149</u>
Creditors: amounts falling due after more than one year	7	-	(527,169)
Net assets		<u><u>258,143</u></u>	<u><u>137,980</u></u>
Capital and reserves			
Called up share capital	9	2,005,494	1,819,702
Share premium account		8,121,202	7,043,681
Profit and loss reserves		<u>(9,868,553)</u>	<u>(8,725,403)</u>
Total equity		<u><u>258,143</u></u>	<u><u>137,980</u></u>

The directors of the company have elected not to include a copy of the profit and loss account within the financial statements.

These financial statements have been prepared and delivered in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved by the board of directors and authorised for issue on 28 September 2023 and are signed on its behalf by:

S Lunn
Director

Company Registration No. SC468392

Edinburgh Alternative Finance Limited

Statement of changes in equity

for the year ended 31 December 2022

		Share capital	Share premium	Profit and loss reserves	Total
	Notes	£	account £	£	£
Balance at 1 January 2021		1,651,493	6,351,851	(7,233,224)	770,120
Year ended 31 December 2021:					
Loss and total comprehensive income for the year		-	-	(1,842,442)	(1,842,442)
Issue of share capital	9	134,671	515,792	-	650,463
Bonus issue of shares	9	33,538	184,462	-	218,000
Share based payments	8	-	-	350,263	350,263
Other movements		-	(8,424)	-	(8,424)
Balance at 31 December 2021		1,819,702	7,043,681	(8,725,403)	137,980
Year ended 31 December 2022:					
Loss and total comprehensive income for the year		-	-	(1,310,382)	(1,310,382)
Issue of share capital	9	98,969	692,783	-	791,752
Bonus issue of shares	9	86,823	435,177	-	522,000
Share based payments	8	-	-	167,232	167,232
Other movements		-	(50,439)	-	(50,439)
Balance at 31 December 2022		2,005,494	8,121,202	(9,868,553)	258,143

Edinburgh Alternative Finance Limited

Notes to the financial statements

for the year ended 31 December 2022

1 Accounting policies

Company information

Edinburgh Alternative Finance Limited is a private company limited by shares incorporated in Scotland. The registered office is 23 Manor Place, Edinburgh, EH3 7DX.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006 as applicable to companies subject to the small companies' regime. The disclosure requirements of section 1A of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view.

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

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Turnover

Turnover represents commission charged to borrowers and lenders for the use of the LendingCrowd platform. Commission charged to lenders is recognised over the term of the loan and recognised when repayments are made, whilst commission charged to borrowers is recognised on acceptance of the loan.

1.4 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Plant and equipment	33%
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The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.5 Cash and cash equivalents

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

Edinburgh Alternative Finance Limited
Notes to the financial statements (continued)
for the year ended 31 December 2022

1 Accounting policies (continued)

1.6 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

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.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

1.7 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.8 Taxation

The tax credit through the tax line of the statement of comprehensive income represents research and development tax credits paid to the company.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Edinburgh Alternative Finance Limited
Notes to the financial statements (continued)
for the year ended 31 December 2022

1 Accounting policies (continued)

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

R&D tax credits

R&D tax credits are recognised at the fair value of the asset received or receivable when there is reasonable assurance that claims will be successful. R&D tax credits are recognised as part of the taxation charge or credit in the year the recognition criteria are met. R&D tax credits relating to earlier periods are included within the current tax charge or credit as adjustments in respect of prior periods.

1.9 Employee benefits

The costs 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.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.10 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.11 Share-based payments

Equity-settled share-based payments for employees are measured at the fair value of the equity instruments at the grant date. The fair value determined at the grant date of equity-settled share-based payments is expensed on a straight-line basis over the service period to vesting, based on the company's estimate of equity instruments that will eventually vest. A corresponding adjustment is made to the profit and loss reserves.

At each balance sheet date, the company revises its estimate of the number of equity instruments expected to vest, as a result of the effect of non market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to profit and loss reserves.

Edinburgh Alternative Finance Limited

Notes to the financial statements (continued)

for the year ended 31 December 2022

2 Judgements and key sources of estimation uncertainty

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

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

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Valuation of share options

The determination of the valuation of share options involves significant judgement around the inputs and assumptions used in the options valuation model. The assumptions are reviewed at each grant date by management.

3 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2022	2021
	Number	Number
Total	35	30
	=====	=====

The share based payment charge for the year was £167,232 (2021: £350,263), and is included within cost of sales in the statement of comprehensive income.

Edinburgh Alternative Finance Limited
Notes to the financial statements (continued)
for the year ended 31 December 2022

4 Tangible fixed assets

	Plant and machinery etc £
Cost	
At 1 January 2022	70,471
Additions	13,500
	<u>83,971</u>
At 31 December 2022	<u>83,971</u>
Depreciation and impairment	
At 1 January 2022	56,409
Depreciation charged in the year	10,047
	<u>66,456</u>
At 31 December 2022	<u>66,456</u>
Carrying amount	
At 31 December 2022	<u>17,515</u>
At 31 December 2021	<u>14,062</u>

5 Debtors

	2022	2021
	£	£
Amounts falling due within one year:		
Trade debtors	50,049	1,675
Amounts owed by connected companies	1,383	2,870
Other debtors	242,795	82,089
Prepayments and accrued income	31,992	45,343
	<u>326,219</u>	<u>131,977</u>

6 Creditors: amounts falling due within one year

	2022	2021
	£	£
Trade creditors	117,959	19,250
Amounts owed to connected companies	107,300	115,087
Taxation and social security	55,594	51,573
Other creditors	287,604	103,936
	<u>568,457</u>	<u>289,846</u>

Edinburgh Alternative Finance Limited
Notes to the financial statements (continued)
for the year ended 31 December 2022

7 Creditors: amounts falling due after more than one year

	2022	2021
	£	£
Other creditors	-	527,169

Other creditors as at 31 December 2021 represent convertible loan notes which were converted to ordinary share capital on 17 August 2022.

8 Share-based payment transactions

	Number of share options		Weighted average exercise price	
	2022	2021	2022	2021
	Number	Number	£	£
Outstanding at 1 January	1,342,059	231,730	0.19	0.75
Granted	-	1,799,229	-	0.19
Forfeited	(166,232)	(199,979)	0.19	0.84
Exercised	-	(488,921)	-	0.19
Outstanding at 31 December	1,175,827	1,342,059	0.21	0.19
Exercisable at 31 December	31,751	51,308	0.91	0.20

The options outstanding at 31 December 2022 had an exercise price ranging from £0.19 to £0.91 per share, and a remaining contractual life which runs 10 years from the date of grant (7 June 2021).

The options granted have vesting periods ranging from immediately to 3 years. Vesting is contingent on holders remaining in the company's employment throughout the vesting period.

The share options granted during the year were valued using a Black-Scholes model.

9 Called up share capital

	2022	2021	2022	2021
	Number	Number	£	£
Ordinary share capital				
Issued and fully paid				
Ordinary shares of 10p each	17,240,263	15,382,338	1,724,026	1,538,234
A Ordinary shares of 10p each	2,814,677	2,814,677	281,468	281,468
	20,054,940	18,197,015	2,005,494	1,819,702

Edinburgh Alternative Finance Limited
Notes to the financial statements (continued)
for the year ended 31 December 2022

9 Called up share capital (continued)

There were 3 allotments of shares in respect of subscriptions and one share conversion made during the year.

On 17 August 2022, 433,846 ordinary shares with a nominal value of £0.10 per share were allotted for a consideration of £0.65 per share.

On 17 August 2022, 434,389 ordinary shares with a nominal value of £0.10 per share were allotted for a consideration of £0.5525 per share.

On 7 October 2022, 989,690 ordinary shares with a nominal value of £0.10 per share were allotted for a consideration of £0.80 per share.

10 Audit report information

As the income statement has been omitted from the filing copy of the financial statements, the following information in relation to the audit report on the statutory financial statements is provided in accordance with s444(5B) of the Companies Act 2006:

The auditor's report was unqualified.

The senior statutory auditor was Diana Penny and the auditor was Henderson Loggie LLP.

11 Events after the reporting date

On 13 September 2023, a new facility agreement was established to provide sufficient institutional funding to meet the forecast demand for SME loans through the company's platform for at least 12 months. This will be delivered through the company's standard loan product. The company has started to deploy this funding to SMEs across Britain.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.