

**EDINBURGH ALTERNATIVE FINANCE  
LIMITED**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

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# EDINBURGH ALTERNATIVE FINANCE LIMITED

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# EDINBURGH ALTERNATIVE FINANCE LIMITED

## STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Notes	2020 £	£	2019 £	£
<b>Fixed assets</b>					
Tangible assets	6		16,028		27,699
<b>Current assets</b>					
Debtors	7	281,454		109,765	
Cash at bank and in hand		1,118,278		678,478	
		<u>1,399,732</u>		<u>788,243</u>	
<b>Creditors: amounts falling due within one year</b>	8	<u>(405,640)</u>		<u>(447,224)</u>	
<b>Net current assets</b>			994,092		341,019
<b>Total assets less current liabilities</b>			1,010,120		368,718
<b>Creditors: amounts falling due after more than one year</b>	9		(240,000)		-
<b>Net assets</b>			<u>770,120</u>		<u>368,718</u>
<b>Capital and reserves</b>					
Called up share capital	10	1,651,493		1,365,302	
Share premium account		6,351,851		5,100,242	
Profit and loss reserves		<u>(7,233,224)</u>		<u>(6,096,826)</u>	
<b>Total equity</b>			<u>770,120</u>		<u>368,718</u>

The directors of the company have elected not to include a copy of the income statement 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.

23 / 04 / 2021

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

*Stuart Lunn*

.....  
S Lunn  
Director

Company Registration No. SC468392

# EDINBURGH ALTERNATIVE FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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### 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 historic cost convention, modified to include certain items at fair value. The principle accounting policies adopted are set out below.

#### 1.2 Going concern

Whilst the company made a loss for the year, this was anticipated and tightly controlled. The loss was due in part to reduced activity as a result of the Covid pandemic. The company had bank balances of £1.1m at the year end. As budgeted, lending has been limited during the first quarter of 2021, however the company is forecasting significant new lending activity for the remainder of 2021. This is based on new lending facilities, negotiation of which are at an advanced stage, and management's realistic assessment of demand levels for new loans.

Current forecasts indicate that the company may need a limited level of additional equity funding in early 2022, however the directors are satisfied that this can be controlled through increasing lending volumes, expense management or if required, that the funding would be available from the shareholder base.

The key assumptions in management's forecasts are the availability of debt capital, the size and phasing of borrower demand and availability of additional equity funding should it be required. Whilst unconfirmed at this time, none of these uncertainties are assessed to be significant, as there is confidence in their deliverability, therefore the directors are satisfied that it remains appropriate to prepare the accounts on a going concern basis.

#### 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 Research and development expenditure

Research and development expenditure is written off against profits in the year in which it is incurred.

#### 1.5 Tangible fixed assets

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

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

Plant and equipment	33% per annum
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# EDINBURGH ALTERNATIVE FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2020

#### 1 Accounting policies

(Continued)

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.

#### 1.6 Cash at bank and in hand

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

#### 1.7 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 statement of financial position 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 current assets and are therefore measured at transaction price.

##### **Classification of financial liabilities**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

##### **Basic financial liabilities**

Basic financial liabilities, including creditors, are current liabilities and are therefore measured at transaction price.

##### **Other Financial Liabilities**

Compound financial instruments issued by the company comprise a convertible loan that can be converted to share capital at the option of the lender. The liability component of a compound financial instrument is initially recognised at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognised at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts. Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

##### **Derecognition of financial liabilities**

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

#### 1.8 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.

# EDINBURGH ALTERNATIVE FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

### 1 Accounting policies

(Continued)

#### 1.9 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 income statement 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.

##### *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.

##### *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.

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or right to pay less tax, at a future date, at rates expected to apply when they crystallised based on current tax rates and law. Timing differences arise from inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not they will be recovered. Deferred tax assets and liabilities are not discounted.

#### 1.10 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense.

#### 1.11 Retirement benefits

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

#### 1.12 Leases

Rentals payable under operating leases are expensed over the life of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

#### 1.13 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 2020

### 1 Accounting policies

(Continued)

#### 1.14 Government Grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

### 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. See note 5.

### 3 Employees

The average monthly number of persons (including directors) employed by the company during the year was 33 (2019 - 32).

### 4 Deferred taxation

The company has a potential deferred tax asset of £1,224,550 (2019: £908,693), for unused tax losses that may be offset against future profits, reducing future corporation tax liabilities. The recoverability of deferred tax assets is dependent on the business' ability to generate sufficient future taxable profits to utilise tax losses. Consistent with accounting standards, due to the inherent uncertainty in forecasting the amount and timing of future taxable profits, this has not been recognised in the year to 31 December 2020.

# EDINBURGH ALTERNATIVE FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

### 5 Share-based payment transactions

The company operates an EMI Option Scheme which is open to certain senior employees of the company. The awards are equity settled and measured at the fair value of the options at the grant date.

The options hold no dividend or voting rights, and are not transferable.

The number of share options held by employees at the year-end was 231,730 (2019: 231,730).

All of the options outstanding at 31 December 2020, had vested at 31 December 2019.

A charge of £nil has been recognised in the financial statements (2019: £44,825). The share-based payments expense was calculated by using a Black Scholes model to fair value the share options. The key inputs and assumptions used in the Black Scholes model are the fair value of a share at the date of option grant and a measure of share price volatility.

### 6 Tangible fixed assets

	Plant and machinery etc £
<b>Cost</b>	
At 1 January 2020	57,600
Additions	1,646
	<hr/>
At 31 December 2020	59,246
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<b>Depreciation and impairment</b>	
At 1 January 2020	29,901
Depreciation charged in the year	13,317
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At 31 December 2020	43,218
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<b>Carrying amount</b>	
At 31 December 2020	16,028
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At 31 December 2019	27,699
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# EDINBURGH ALTERNATIVE FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

### 7 Debtors

	2020	2019
	£	£
Amounts falling due within one year:		
Trade debtors	1,396	4,297
Amounts owed by connected companies	1,200	9,213
Prepayments and accrued income	158,522	7,079
Other debtors	120,336	89,176
	<u>281,454</u>	<u>109,765</u>

### 8 Creditors: amounts falling due within one year

	2020	2019
	£	£
Trade creditors	42,291	64,298
Amounts due to connected companies	255,140	224,074
Other taxation and social security	36,913	52,314
Other creditors	71,296	106,538
	<u>405,640</u>	<u>447,224</u>

### 9 Creditors: amounts falling due after more than one year

	2020	2019
	£	£
Other creditors	<u>240,000</u>	<u>-</u>

This represents a convertible loan, repayable three years after the date of issue, which can be converted to share capital at the option of the lender, on pre-agreed terms, up to and including the redemption date. The loan is interest free for the first year and thereafter interest is charged at 8% per annum. The loan liability that has been recognised is the loan principal as the difference between the loan principal and fair value is not assessed to be significant. Similarly, no value has been attributed to the equity element of the loan on the grounds of materiality.

### 10 Called up share capital

	2020	2019
	£	£
Ordinary share capital		
Issued and fully paid		
14,469,476 (2019:13,653,016) Ordinary shares of 10p each	1,446,948	1,365,302
2,045,447 (2019:nil) A Ordinary shares of 10p each	204,545	-
	<u>1,651,493</u>	<u>1,365,302</u>

# EDINBURGH ALTERNATIVE FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2020

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#### 10 Called up share capital

(Continued)

There were four allotments of shares in respect of subscriptions made during the year. On 28 February 2020, 153,846 ordinary shares with a nominal value of 10p per share were allotted for consideration of £0.65 per share.

On 26 March 2020, 692,307 ordinary shares with a nominal value of 10p per share were allotted for consideration of £0.65 per share.

On 27 March 2020, 120,507 ordinary shares with a nominal value of 10p per share were allotted for consideration of £0.65 per share and 1,430,064 A ordinary shares with a nominal value of 10p per share were allotted for consideration of £0.65 per share.

On 30 March 2020, 35,714 ordinary shares with a nominal value of 10p per share were allotted for consideration of £0.65 per share.

Share issue costs associated with the above allotments totalled £43,285.

On 27 March 2020, 185,915 ordinary shares were reclassified as A ordinary shares.

On 27 March 2020, 429,471 bonus A ordinary shares with a nominal value of 10p per share were issued to the holder of the existing A ordinary shares. The nominal value of this bonus issue was met from the share premium account.

#### 11 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 auditors report was unqualified.

The senior statutory auditor was David Holmes.

The auditor was Johnston Carmichael LLP.

#### 12 Events after the reporting date

There are no subsequent events post year-end.