

Company registration number: 08302549

LENDING WORKS LIMITED

**FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2016**

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LENDING WORKS LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

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LENDING WORKS LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Note	2016 £	2015 £
Fixed assets			
Tangible assets	6	38,225	34,611
		38,225	34,611
Current assets			
Debtors	7	98,168	47,837
Cash at bank and in hand	8	617,782	262,957
		715,950	310,794
Creditors: amounts falling due within one year	9	(234,812)	(160,170)
Net current assets		481,138	150,624
Total assets less current liabilities		519,363	185,235
Provisions for liabilities	10	(7,645)	(6,922)
Net assets		511,718	178,313
Capital and reserves			
Called up share capital	12	5,552	4,724
Share premium account	13	4,014,223	2,199,852
Other reserves	13	387,500	294,738
Profit and loss account	13	(3,895,557)	(2,321,001)
Total capital and reserves		511,718	178,313

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’).

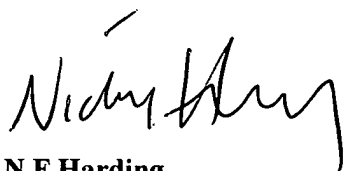
The profit and loss account and directors’ report have not been delivered to the Registrar of Companies in accordance with the special provisions applicable to companies subject to the small companies regime.

LENDING WORKS LIMITED

STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 31 DECEMBER 2016

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



N F Harding
Director



M D Powell
Director

26 April 2017

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 2016

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.

This is the first year in which the financial statements have been prepared under FRS 102 1A. Refer to note 19 for an explanation of the transition.

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.

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NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

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 14.

4. PRINCIPAL ACCOUNTING POLICIES

a) Intangible assets

Intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

Software development costs are recognised as an intangible asset when all of the following criteria are demonstrated:

- The technical feasibility of completing the software so that it will be available for use or sale.
- The intention to complete the software and use or sell it.
- The ability to use the software or to sell it.
- How the software will generate probable future economic benefits.
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the software.
- The ability to measure reliably the expenditure attributable to the software during its development.

Amortisation is charged so as to allocate the cost of intangibles less their residual values over their estimated useful lives, using the straight-line method. The intangible assets are amortised over the following useful economic lives:

- Software development costs: 5 years

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If there is an indication that there has been a significant change in amortisation rate or residual value of an asset, the amortisation of that asset is revised prospectively to reflect the new expectations.

b) 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

c) Impairment of assets

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

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

d) Operating leases

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

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

e) Provisions for liabilities

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

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

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

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

f) 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.

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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).

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:

	2016 £	2015 £
Administrative	9	5
Operations	8	6
Technology	5	2
Total average number of employees	22	13

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NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

6. TANGIBLE FIXED ASSETS

	Fixtures & fittings £	Furniture & other office equipment £	Computer equipment £	Total £
Cost or valuation				
At 31 December 2015	9,662	11,437	28,261	49,360
Additions during the year	-	5,989	15,430	21,419
At 31 December 2016	9,662	17,426	43,691	70,779
Depreciation				
At 31 December 2015	605	3,197	10,947	14,749
Charge for the year	1,937	4,326	11,542	17,805
At 31 December 2016	2,542	7,523	22,489	32,554
Net book value				
At 31 December 2015	9,057	8,240	17,314	34,611
At 31 December 2016	7,120	9,903	21,202	38,225

7. DEBTORS

	31 Dec 2016 £	31 Dec 2015 £
Other debtors	48,232	31,528
Prepayments and accrued income	49,936	16,309
Total	98,168	47,837

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NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

8. CASH AT BANK AND IN HAND

Cash at bank and in hand includes restricted cash of £16,269 (2015: £nil). 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 2016 £	31 Dec 2015 £
Trade creditors	129,799	51,622
Taxation and social security	34,376	18,804
Other creditors	16,269	-
Accruals and deferred income	54,368	89,744
Total	234,812	160,170

10. PROVISIONS FOR LIABILITIES

	Deferred tax (note 11) £
At 31 December 2015	6,922
Arising during the year	723
Utilised	-
At 31 December 2016	7,645

11. DEFERRED TAXATION

Deferred taxation provided for at 20% (2015: 20%) in the financial statements is set out below:

	31 Dec 2016 £	31 Dec 2015 £
Accelerated capital allowances	7,645	6,922
Total	7,645	6,922

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The amount of the net reversal of deferred tax expected to occur next year is £3,550 (2015: £2,960), relating to the reversal of existing timing differences on tangible fixed assets.

12. CALLED UP SHARE CAPITAL

Authorised, allotted and fully paid:	31 Dec 2016	31 Dec 2015
	£	£
472,361 ordinary shares of £0.01 each (2015: 472,361)	4,724	4,724
82,861 ordinary A shares of £0.01 each (2015: nil)	828	-
Total	5,552	4,724

On 1 June 2016, the Company issued 82,861 ordinary A shares of £0.01 each for total consideration of £2,000,002. Transaction costs of £184,803 have been accounted for as a deduction from equity.

On 26 April 2017, the Company issued a further 28,966 ordinary shares of £0.01 each and 4,281 ordinary A shares of £0.01 each to existing shareholders for total consideration of £516,492.

13. RESERVES

	Share premium account £	Other reserves £	Profit and loss account £	Total £
At 31 December 2015	2,199,852	294,738	(2,321,001)	173,589
Premium on issue of shares	1,814,371	-	-	1,814,371
Share-based payments	-	92,762	-	92,762
Loss for the year	-	-	(1,574,556)	(1,574,556)
At 31 December 2016	4,014,223	387,500	(3,895,557)	506,166

‘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 14.

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14. SHARE-BASED PAYMENTS

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

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

At 31 December 2016, EMI options were held by a total of 17 employees to subscribe for ordinary shares of £0.01 each in the Company. These options were granted on various dates between June 2014 and May 2016.

The share based payment charge in the year was £92,762 (2015: £211,172). 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:

	2016 No.	2016 WAEP	2015 No.	2015 WAEP
Outstanding at 1 January	107,015	£0.01	94,122	£0.01
Granted during the year	67,686	£0.01	12,893	£0.01
Forfeited during the year	(89)	£0.01	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at 31 December	174,612	£0.01	107,015	£0.01

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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 2016	31 Dec 2015
Weighted average market value at the grant date	£24.13	£9.89
Weighted average exercise price	£0.01	£0.01
Expected volatility	35%	35%
Risk-free interest rate	1.3%	1.9%
Expected life of options	10 years	10 years
Expected dividends	None	None

15. LEASING COMMITMENTS

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

	31 Dec 2016 Land and buildings £	31 Dec 2015 Land and buildings £
Within one year	87,305	56,411
Total	87,305	56,411

16. TRANSACTIONS WITH RELATED PARTIES

During the year, the Company utilised a working capital facility from one of its shareholders, Alexander Rogers, amounting to £170,000. The arrangement included a facility fee of £10,000 and interest payable at 12% p.a. on amounts drawn down.

The balance, including the facility fee of £10,000 and interest of £6,607, was repaid in full during the year. At 31 December 2016, the outstanding balance was £nil (2015: £nil).

17. ULTIMATE CONTROLLING PARTY

At 31 December 2016, 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.

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18. POST BALANCE SHEET EVENTS

On 26 April 2017, the Company issued 28,966 ordinary shares of £0.01 each and 4,281 ordinary A shares of £0.01 each to existing shareholders for total consideration of £516,492.

19. TRANSITIONAL DISCLOSURE

This is the first time that the Company has applied the recognition and measurement requirements of FRS 102 1A, having previously applied the Financial Reporting Standard for Smaller Entities ('FRSSE').

The impact from the transition to FRS 102 1A is as follows:

Reconciliation of equity at 1 January 2015:

	£
Total capital and reserves at 1 January 2015 under FRSSE	450,333
Holiday pay accrual (note A)	(635)
Deferred tax (note B)	-
Total capital and reserves at 1 January 2015 under FRS 102 1A	449,698

Reconciliation of equity at 31 December 2015:

	£
Total capital and reserves at 31 December 2015 under FRSSE	183,615
Holiday pay accrual (note A)	(5,302)
Deferred tax (note B)	-
Total capital and reserves at 31 December 2015 under FRS 102 1A	178,313

(A) Holiday pay accrual

Under the FRSSE, the Company accrued for holiday pay where this was expected to be paid as a cash sum and the employee was entitled to carry forward holidays earned indefinitely. However, the Company did not accrue for holiday pay that was earned but where the holiday entitlement was expected to be taken in the subsequent financial year. Under FRS 102 1A, the Company is required to accrue for all short-term compensated absences as holiday entitlement earned but not taken at the date of the

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statement of financial position. The impact is to increase holiday pay accrued by £635 and £5,302 as at 1 January 2015 and 31 December 2015 respectively.

(B) Deferred tax

A tax allowance is available for share-based transactions and is based on the options' intrinsic value, which is the difference between the fair value and the exercise price of the share. A deferred tax asset has not been recognised in respect of these options as the directors consider that there is insufficient certainty that there will be sufficient future taxable profits against which these losses can be offset.

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