
Lendino A/S

Applebys Plads 7, DK-1411 København K

Annual Report for 1 January - 31 December 2018

CVR No 35 65 41 35

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
22/5 2019

Esben Bistrup Halvorsen
Chairman of the General
Meeting



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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Lendino A/S for the financial year 1 January - 31 December 2018.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2018 of the Company and of the results of the Company operations for 2018.

We recommend that the Annual Report be adopted at the Annual General Meeting.

København, 22 May 2019

Executive Board

Esben Bistrup Halvorsen
CEO

Nils Thygesen
Executive Officer

Andreas Helgason Rex
Executive Officer

Board of Directors

Torben Nordal Clausen
Chairman

Esben Bistrup Halvorsen

Andreas Helgason Rex

Morten Schantz

Stefan Glänzer

Independent Auditor's Report

To the Shareholder of Lendino A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2018 and of the results of the Company's operations for the financial year 1 January - 31 December 2018 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Lendino A/S for the financial year 1 January - 31 December 2018, which comprise income statement, balance sheet and notes, including a summary of significant accounting policies ("the Financial Statements").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, 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.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financials Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Independent Auditor's Report

Management's responsibilities for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines 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, Management is responsible for assessing the 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 in preparing the Financial Statements unless Management either intends to liquidate the Company or to cease operations, or has 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 and the additional requirements applicable in Denmark 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.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

Independent Auditor's Report

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Trekantområdet, 22 May 2019

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Steffen Kjær Rasmussen

statsautoriseret revisor

mne9867

Company Information

The Company

Lendino A/S
Applebys Plads 7
DK-1411 København K
Website: www.lendino.dk

CVR No: 35 65 41 35
Financial period: 1 January - 31 December
Municipality of reg. office: København

Board of Directors

Torben Nordal Clausen, Chairman
Esben Bistrup Halvorsen
Andreas Helgason Rex
Morten Schantz
Stefan Glänzer

Executive Board

Esben Bistrup Halvorsen
Nils Thygesen
Andreas Helgason Rex

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Herredsvej 32
DK-7100 Vejle

Management's Review

Financial Statements of Lendino A/S for 2018 have been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected rules applying to reporting class C.

The Annual Report has been prepared under the same accounting policies as last year.

Key activities

Lendino was founded in 2014 with a vision to make it easier, cheaper and quicker to borrow and simultaneously create an attractive investment possibility for lenders. This is done by facilitating loans to creditworthy borrowers from Lendino's base of private and professional lenders. Companies can also make use of "network loans" that are funded exclusively by lenders within the company's own network.

The facilitation of loans happens using Lendino's internally developed IT platform. The system is also offered as a cloud service to other organisations interested in having their own crowdfunding platform. These activities are conducted under the brand Smallbrooks. In 2017, Coop became the first Smallbrooks customer and remains a strong reference for further expansion into the "crowdfunding platform as a service" area.

Development in the year

The company achieved further capitalisation of the comprehensive marketing efforts initiated in 2014. The lender base is continuously growing and now comprises more than 5,000 registered lenders whereof about 1,800 are actively investing. This is a further solid growth from last year's level. An accumulated 350 loans and an accumulated volume of well above DKK 100m since inception shows good traction. This we perceive as strong confidence in crowdlending generally and Lendino specifically. However, we recognise that Lendino has far from reached its full potential, and we therefore continue our efforts to communicate about crowdfunding and establish strategic partnerships. According to a recent Coop survey, only 6% of the Danish population is aware of Lendino and crowdlending. We therefore see a continuously significant potential for higher awareness surrounding the business area.

In connection with our customers' strong support for Lendino, we gradually generate a track record on our borrowers' payment history. Preliminarily, we can ascertain that default rates and estimated losses overall evolve within the expected limits. We slightly tightened credit policy in H1 2018 in order to further optimise portfolio IRR and prepare for the late business cycle environment.

The annual result further improved from a deficit of DKK 879k in 2017 to a deficit of DKK 864k in 2018. The slightly improvement was better than estimated in the budget due to lower administrative expenses. Equity amounts to DKK 2,024k after transfer of deficit for the year.

Management's Review

Initiating the Smallbrooks business absorbed manpower resources and led to a stabilisation in the lending business in 2018. However, growth is expected to resume in 2019 due to renewed focus on the lending business. The increasing focus on the Smallbrooks has led to a growing pipeline of very interesting leads. In 2018, Copenhagen School of Entrepreneurship (part of Copenhagen Business School) and Middelfart Sparekasse arrived as the second and third Smallbrooks customer. With the strong pipeline of customer leads, more customers are soon to come. The intention is that this business area shall add significant scalability to Lendino through highly stable revenue streams.

Capital resources

In Q2, the company completed a capital increase with proceeds of DKK 1,075,000 in order to secure capital for developing the lending business into breakeven and for continuing the development of Smallbrooks and onboarding the first customers.

Targets and expectations for the year ahead

We estimate the lending business to break even by the end of 2019. The Smallbrooks business is estimated to be cash absorbing until end of 2021.

Basis of earnings

The company's lending business (excluding the Smallbrooks business) is now more or less break-even when it comes to profitability. Further sales and marketing efforts together with strategic partnerships are expected to continue the move towards a profitable business.

Subsequent events

Lendino increased the share capital by about 5.5 % in Q2 2019. The issue of new shares was made through the equity crowdfunding platform Funderbeam and about 150 new shareholders from about 20 countries were registered through a nominee structure under British legislation. The new shares will be tradable in the Funderbeam platform. The capital proceeds will be used for expansion of the Smallbrooks business.

Lendino continuously establishes strategic partnerships in order to broaden the awareness of crowdlending and Lendino. In 2019, more of these partnerships are expected to generate business volume, e.g. our newly published partnership with FSR - Danish Auditors. FSR holds more than 5,000 individual members and about 600 member firms with a focus on the SME segment.

Income Statement 1 January - 31 December

	Note	2018 DKK	2017 DKK
Gross profit/loss		1,530,008	904,389
Staff expenses	2	<u>-2,598,096</u>	<u>-1,952,355</u>
Profit/loss before financial income and expenses		-1,068,088	-1,047,966
Financial income		998	2,334
Financial expenses		<u>-6,231</u>	<u>-3,732</u>
Profit/loss before tax		-1,073,321	-1,049,364
Tax on profit/loss for the year	3	<u>209,007</u>	<u>170,243</u>
Net profit/loss for the year		<u>-864,314</u>	<u>-879,121</u>

Distribution of profit

Proposed distribution of profit

Retained earnings		<u>-864,314</u>	<u>-879,121</u>
		<u>-864,314</u>	<u>-879,121</u>

Balance Sheet 31 December

Assets

	Note	2018 DKK	2017 DKK
Trade receivables		132,301	41,750
Other receivables		209,463	645,572
Corporation tax		344,272	135,264
Prepayments		69,622	41,720
Receivables		755,658	864,306
Cash at bank and in hand	4	12,488,820	8,936,308
Currents assets		13,244,478	9,800,614
Assets		13,244,478	9,800,614

Balance Sheet 31 December

Liabilities and equity

	Note	2018 DKK	2017 DKK
Share capital		548,011	533,834
Retained earnings		1,475,583	1,278,750
Equity	5	2,023,594	1,812,584
Convertible and profit-yielding instruments of debt		1,300,000	0
Long-term debt	6	1,300,000	0
Trade payables		79,595	37,219
Other payables	7	9,841,289	7,950,811
Short-term debt		9,920,884	7,988,030
Debt		11,220,884	7,988,030
Liabilities and equity		13,244,478	9,800,614
Going concern	1		
Contingent assets, liabilities and other financial obligations	8		
Accounting Policies	9		

Notes to the Financial Statements

1 Going concern

As of the balance sheet date the Company has an equity of DKK 2.0 million. The Company has no debt towards credit institutions and has a positive cash balance of DKK 1.7 million.

As the Company still is in the phase of development, the budget for 2019 shows an expected loss of DKK 1.7 million. In this all costs related to further development of the Lendino Platform has been expensed.

Management expects the existing capital resources to be adequate to secure the expected operations and investments for 2019. However, to secure the basis for further growth and development, Management has raised new capital in 2019.

In first half of 2019 Management has succeeded to raise in the level of DKK 2.7 million from new investors. Based on this Management assesses the assumption for going concern to be fulfilled and hence prepares the Financial Statements for 2018 under such assumption.

	<u>2018</u> DKK	<u>2017</u> DKK
2 Staff expenses		
Wages and salaries	2,479,754	1,829,079
Other social security expenses	40,525	30,727
Other staff expenses	<u>77,817</u>	<u>92,549</u>
	<u>2,598,096</u>	<u>1,952,355</u>
Average number of employees	<u>8</u>	<u>6</u>
3 Tax on profit/loss for the year		
Current tax for the year	-209,007	-135,264
Adjustment of tax concerning previous years	<u>0</u>	<u>-34,979</u>
	<u>-209,007</u>	<u>-170,243</u>

Notes to the Financial Statements

	2018	2017
	DKK	DKK
4 Cash at bank and in hand		
Lenders deposit, Lendino	7,514,165	5,307,362
Lenders deposit, Smallbrooks	3,307,313	2,550,537
Other cash at bank and in hand	1,667,342	1,078,409
	12,488,820	8,936,308

5 Equity

	Share capital	Share premium	Retained	Total
	DKK	DKK	DKK	DKK
Equity at 1 January	533,834	0	1,278,750	1,812,584
Cash capital increase	14,177	1,061,147	0	1,075,324
Net profit/loss for the year	0	0	-864,314	-864,314
Transfer from share premium account	0	-1,061,147	1,061,147	0
Equity at 31 December	548,011	0	1,475,583	2,023,594

The share capital consists of 548,011 shares of a nominal value of DKK 1. No shares carry any special rights.

The share capital has developed as follows:

	2018	2017	2016	2015	2014
	DKK	DKK	DKK	DKK	DKK
Share capital at 1 January	533,834	501,676	501,676	5,000	5,000
Capital increase	14,177	32,158	0	496,676	0
Capital decrease	0	0	0	0	0
Share capital at 31					
December	548,011	533,834	501,676	501,676	5,000

Notes to the Financial Statements

6 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	<u>2018</u> DKK	<u>2017</u> DKK
Convertible and profit-yielding instruments of debt		
After 5 years	1,300,000	0
Long-term part	1,300,000	0
Within 1 year	0	0
	<u>1,300,000</u>	<u>0</u>

7 Other payables

Lenders deposit, Lendino	6,315,627	5,307,361
Lenders deposit, Smallbrooks	3,307,313	2,550,537
Other debt	218,349	92,913
	<u>9,841,289</u>	<u>7,950,811</u>

8 Contingent assets, liabilities and other financial obligations

Rental and lease obligations

Rent commitments	43,336	43,336
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There are no security and contingent liabilities at 31 December 2018.

Notes to the Financial Statements

9 Accounting Policies

The Annual Report of Lendino A/S for 2018 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected rules applying to reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2018 are presented in DKK.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Notes to the Financial Statements

9 Accounting Policies (continued)

Income Statement

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

Revenue is measured at the consideration received and is recognised net of discounts relating to sales.

Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

Gross profit/loss

With reference to section 32 of the Danish Financial Statements Act, gross profit/loss is calculated as a summary of revenue, other operating income and other external expenses.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Company.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

Notes to the Financial Statements

9 Accounting Policies (continued)

Balance Sheet

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Cash and Cash equivalent

Cash and cash equivalents comprise the Company's bank deposits, including deposits paid from the Company's IT Platform (lenders).

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Other debt comprises debt to the IT Platform (lenders) and other debt. Other debts are measured at amortised cost, substantially corresponding to nominal value.