

Company Registration No. 09571824 (England and Wales)

CAPITALRISE FINANCE LIMITED
UNAUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 JULY 2019
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CAPITALRISE FINANCE LIMITED

CEO REPORT

FOR THE YEAR ENDED 31 JULY 2019

When Alex, Andrew and myself founded CapitalRise, we had two clear goals: To remove the obstacles that make raising property finance a pain point for good property developers; and to open up access to Prime real estate debt as a new investment asset class.

As property developers (Alex and Andrew are the founders of Finchatton who come with decades of development experience) they had first-hand experience of how painful the fundraising experience is for developers and how significantly this market is underserved by the traditional lenders. We were also acutely aware that this calibre of Prime Institutional grade real estate debt was only accessible to large Institutions and Ultra High Net Worth Individuals with millions to invest. So CapitalRise was born with the aim of disrupting traditional prime property finance by providing bespoke, flexible, cost effective finance to Prime property developers and opening up access to Prime real estate debt to a wider group of investors.

We are thrilled with the successful growth of the business to date, having now lent more than £56 million against over £370 million of property assets. Our investor base has grown exponentially and is very diverse, we have paid more than £27 million in capital and returns to date at an average return of 9.6% per annum, whilst maintaining an exceptional track record of zero losses or defaults since inception.

Our strong commitment to excellent customer service in addition to our heavy investment into technology has resulted in our ability to consistently maintain an 'excellent' Trustpilot customer rating, and we continue to see high rates of reinvestment from our members and high rates of recommendation. In addition, we have strengthened the team with several strategic hires. These experienced personnel provide a strong foundation on which we can further accelerate the growth of the business.

Having secured additional funding lines in 2019 from several financial institutions, we now have more than £50m of additional capital ready to deploy and terms agreed on even larger funding lines which will come on stream in 2020. The business itself is well funded, having raised over £3.4m in equity in 2019. During 2018 and 2019 we also invested significantly in human capital, building an incredibly strong, experienced team with a proven capability to grow CapitalRise without compromising on quality. This is demonstrated by a substantial leap in annual lending, which more than tripled in 2019 whilst maintaining our immaculate lending track record of zero defaults or losses.

We are committed to transparency and are incredibly proud of our loan quality and lending record. So much so that we have partnered with independent loan analytics platform Brismo, which independently verify our loan performance and publishes data so CapitalRise can be compared with other platforms. This independent third-party validation provides comfort to our investors and is testament to the quality of our approach and product.

We have a clear growth plan for 2020 and remain on track to hit our next ambitious business milestones. It is crucial for CapitalRise to continue to keep a very tight control on costs at this stage of its evolution. Our focus is clear, and we will continue to invest in areas of the business that will facilitate continued growth whilst maintaining the highest underwriting standards.

CAPITALRISE FINANCE LIMITED

CEO REPORT (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2019

Development and performance

- More than tripled lending volumes from previous 12 months
- Screened over £3.3bn loan applications
- Funded loans across
 - Prime Central London (such as our loans in Chelsea, Belgravia & Knightsbridge).
 - Prime Outer London (e.g. Wimbledon)
 - Prime Home Counties (e.g. Beaconsfield, High Wycombe, Radlett) and
 - Prime locations in the South East (e.g. Oxford)
- Secured over £50m of new institutional funding lines
- Strong platform investor growth resulting in monthly investments more than doubling vs 2018
- Repaid over £27m in capital and returns to investors
- Average rate of return of 9.6% pa
- No losses or defaults
- Winners of prestigious awards including: 2020 Business Bank Awards' Best Alternative Finance Provider, Money.net, Wealth & Finance FinTech Awards and the BUILD Awards
- Finalists in the 2020 RESI Awards and Seedrs Alumni awards
- Continued investment in developing our proprietary technology. This has delivered a product that offers a streamlined, automated, fully digital service, from onboarding, to investing, to managing your live portfolio through to investment redemption.
- Invested heavily in process automation, which has enabled us to keep human resource costs low whilst transaction volumes have scaled significantly.

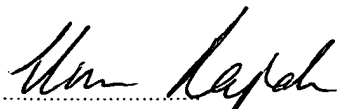
Outlook for 2020

Our ambition is to become the go-to provider for Prime property finance, providing a personalised and bespoke service to prime property developers and building long-lasting funding relationships. We are focussed on delivering our next business milestone – reaching £100m of total lending.

Building on our exceptional growth in 2019, we are poised to increase lending volumes significantly in 2020. Our loan pipeline is the strongest it has ever been, as is investor appetite. The business plans to grow in a controlled manner by increasing the size of the loans we write, significantly building our investor base and strengthening our institutional funding lines.

Looking ahead, CapitalRise is in a very strong position for continued growth during 2020. We will continue to be conservative in our lending and be highly selective of the projects we chose to fund and the borrowers we will lend to. It is the quality of the real estate we focus on, the quality of our underwriting processes and the professionalism of our team that our success has been built upon, and we are proud to have been recognised and awarded for it.

I look forward to updating you with our progress and to yet another successful year for CapitalRise.



Ms U Somasundaram
Director

CAPITALRISE FINANCE LIMITED**STATEMENT OF FINANCIAL POSITION****AS AT 31 JULY 2019**

	Notes	2019		2018	
		£	£	£	£
Fixed assets					
Intangible assets	4		96,709		48,454
Tangible assets	5		25,648		15,800
Investments	6		365,108		243,486
			<u>487,465</u>		<u>307,740</u>
Current assets					
Debtors	7	1,382,807		32,345	
Cash at bank and in hand		861,950		1,449,447	
		<u>2,244,757</u>		<u>1,481,792</u>	
Creditors: amounts falling due within one year	8	<u>(341,853)</u>		<u>(321,174)</u>	
Net current assets			<u>1,902,904</u>		<u>1,160,618</u>
Total assets less current liabilities			<u>2,390,369</u>		<u>1,468,358</u>
Capital and reserves					
Called up share capital	10		7		6
Share premium account			5,643,681		3,298,625
Revaluation reserve			252,590		168,476
Profit and loss reserves			(3,505,909)		(1,998,749)
Total equity			<u>2,390,369</u>		<u>1,468,358</u>

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

For the financial year ended 31 July 2019 the company was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies.

The members have not required the company to obtain an audit of its financial statements for the year in question in accordance with section 476.

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

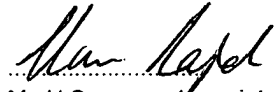
CAPITALRISE FINANCE LIMITED

STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 31 JULY 2019

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 25/3/20 and are signed on its behalf by:



Ms U Somasundarajah
Director

CAPITALRISE FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2019

1 Accounting policies

Company information

CapitalRise Finance Limited is a private company limited by shares and is registered and incorporated in England and Wales. The registered office is Jubilee House, 2 Jubilee Place, London, SW3 3TQ.

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 £1.

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

The company has taken advantage of the exemption under section 399 of the Companies Act 2006 not to prepare consolidated accounts, on the basis that the group of which this is the parent qualifies as a small group. The financial statements present information about the company as an individual entity and not about its group.

Going concern

These financial statements are prepared on the going concern basis. A cash flow forecast for the twelve months from the date when the financial statements are authorised for issue, prepared by management, has indicated that the entity will have sufficient cash assets to be able to meet its debts as and when they are due. The directors have therefore have a reasonable expectation that the company will continue in operational existence for the foreseeable future.

Reporting period

In the prior period the directors elected to change the reporting date to 31 July 2018 resulting in a 16 month reporting period. This was done to align the reporting dates of all group companies. July was the only date that achieved this. As a result the prior period is not entirely comparable.

Turnover

Turnover is recognised at the fair value of the consideration received or receivable for services provided in the normal course of business, and is shown net of VAT and other sales related taxes.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

Arrangement fees are recognised in full once the arrangement services have been completed and funds become available for drawdown by the customer.

Annual management and monitoring fees are recognised on a straight line basis over the period that these services are provided.

Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

CAPITALRISE FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2019

1 Accounting policies (Continued)

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

Website	10 years straight line
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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 or valuation of assets less their residual values over their useful lives on the following bases:

Fixtures and fittings	25% straight line
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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.

Fixed asset investments

Interests in subsidiaries are initially measured at transaction price excluding transaction costs, and are subsequently measured at fair value at each reporting date. Transaction costs are expensed to profit or loss as incurred. Changes in fair value are recognised in other comprehensive income except to the extent that a gain reverses a loss previously recognised in profit or loss, or a loss exceeds the accumulated gains recognised in equity; such gains and loss are recognised in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Cash and cash equivalents

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

CAPITALRISE FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2019

1 Accounting policies (Continued)

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 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 trade and other 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 financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

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 trade and other creditors, 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.

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

Equity instruments

Equity instruments issued by the company are recorded at the fair value of 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.

Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

CAPITALRISE FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2019

1 Accounting policies (Continued)

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

Employee benefits

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

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Retirement benefits

For defined contribution schemes the amount charged to profit or loss is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

Share-based payments

Equity-settled share-based payments are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted using the Black Scholes model. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the estimate of shares that will eventually vest. A corresponding adjustment is made to equity.

When the terms and conditions of equity-settled share-based payments at the time they were granted are subsequently modified, the fair value of the share-based payment under the original terms and conditions and under the modified terms and conditions are both determined at the date of the modification. Any excess of the modified fair value over the original fair value is recognised over the remaining vesting period in addition to the grant date fair value of the original share-based payment. The share-based payment expense is not adjusted if the modified fair value is less than the original fair value.

Cancellations or settlements (including those resulting from employee redundancies) are treated as an acceleration of vesting and the amount that would have been recognised over the remaining vesting period is recognised immediately.

Foreign exchange

Transactions in currencies other than the functional currency (foreign currency) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction, or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

CAPITALRISE FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2019

2 Employees

The average monthly number of persons (including directors) employed by the company during the year was 8 (2018 - 4).

3 Share-based payment transactions

On 10 April 2018 the company granted share options to certain members of staff with a vesting period between 10 April 2018 and 30 June 2021 and subject to certain performance criteria. The share options lapse 10 years from the date of grant. Management have concluded that the fair value of each share option on the date of grant is £11.37, based on the imputed value of the company from the share transactions undertaken in April 2018.

During the period ended 31 July 2019, the company recognised total share-based payment expenses of £127,135 (2018: £125,083) related to equity settled share-based payment transactions. On 16 August 2019, 7,412 options were exercised and a new issue of 7,412 Ordinary shares of 0.001p each was made by the company.

4 Intangible fixed assets

	Website £
Cost	
At 1 August 2018	58,801
Additions	57,390
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At 31 July 2019	116,191
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Amortisation and impairment	
At 1 August 2018	10,347
Amortisation charged for the year	9,135
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At 31 July 2019	19,482
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Carrying amount	
At 31 July 2019	96,709
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At 31 July 2018	48,454
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The company is contracted with an external team of developers, who work closely with and under the guidance of our product manager. No employment costs are capitalised.

CAPITALRISE FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2019

5 Tangible fixed assets

	Plant and machinery etc £
Cost	
At 1 August 2018	19,986
Additions	19,548
Disposals	(3,199)
At 31 July 2019	<u>36,335</u>
Depreciation and impairment	
At 1 August 2018	4,186
Depreciation charged in the year	7,647
Eliminated in respect of disposals	(1,146)
At 31 July 2019	<u>10,687</u>
Carrying amount	
At 31 July 2019	<u>25,648</u>
At 31 July 2018	<u>15,800</u>

6 Fixed asset investments

	2019 £	2018 £
Investments	<u>365,108</u>	<u>243,486</u>

Fixed asset investments revalued

Subsidiaries were valued by the directors at each reporting date using a net assets valuation. Due to the nature of the assets and liabilities within each of these companies, the directors believe this is equivalent to the open market valuation at that date.

If investments were stated on an historical cost basis rather than a fair value basis, the amounts disclosed would have been £112,518 (2018: £75,010).

CAPITALRISE FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 JULY 2019

6 Fixed asset investments (Continued)

Movements in fixed asset investments

	Shares in group undertakings £
Cost or valuation	
At 1 August 2018	243,486
Additions	37,516
Valuation changes	84,114
Disposals	(8)
At 31 July 2019	<u>365,108</u>
Carrying amount	
At 31 July 2019	<u>365,108</u>
At 31 July 2018	<u><u>243,486</u></u>

7 Debtors

	2019 £	2018 £
Amounts falling due within one year:		
Amounts owed by group undertakings	1,340,394	10,145
Other debtors	42,413	22,200
	<u>1,382,807</u>	<u>32,345</u>

8 Creditors: amounts falling due within one year

	2019 £	2018 £
Trade creditors	67,061	76,309
Amounts owed to group undertakings	118,483	110,408
Taxation and social security	22,430	9,015
Other creditors	133,879	125,442
	<u>341,853</u>	<u>321,174</u>

Other creditors include an amount of £30,240 (2018: £45,000) for commitment fees collected from potential borrowers.

CAPITALRISE FINANCE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 JULY 2019

9 Financial instruments

The group headed by CapitalRise Finance Limited undertakes activities which are principally to generate wealth through financial instruments. The directors have considered the risks relating to financial instruments in CapitalRise Finance Limited as a single entity at the reporting date and consider these to be immaterial.

10 Called up share capital

	2019	2018
	£	£
Ordinary share capital		
Issued and fully paid		
452,229 Ordinary shares (2018 - 362,822) of 0.001p each	5	4
167,085 A Ordinary shares (2018 - 167,085) of 0.001p each	2	2
	<u>7</u>	<u>6</u>
	<u><u>7</u></u>	<u><u>6</u></u>

The company's ordinary shares, which carry no right to fixed income, each carry the right to one vote at general meetings of the company. The Ordinary and A Ordinary shares rank pari passu in all respects.

On 18 February 2019 the company issued 7,412 Ordinary shares of 0.001p each for cash consideration of 7.4p.

On 18 April 2019 the company issued 81,995 Ordinary shares of 0.001p each for cash consideration of £2,345,056.

11 Events after the reporting date

After the reporting date 6 subsidiaries were incorporated for the purposes of the provision of property development finance.

Information pertaining to the exercise of share-based payments can be found in note 3.

12 Related party transactions

During the year key management personnel aggregate compensation was £268,904 (2018: £286,959).

During the year the company was charged £16,800 (2018: £79,300) by a connected company for the use of office space, in addition loans payable to connected companies of £nil (2018: £1,163,634) were repaid. These transactions were undertaken on an open market basis.

At the reporting date amounts of £nil (2018: £16,148) were due to a connected company and included within creditors. These amounts bear no interest and are due on demand.

13 Parent company

The directors have concluded that there are no ultimate controlling parties.