



LendInvest Limited

Financial statements for the year ended 31 March 2020

Company registration number 08146929

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Officers and professional advisors

Directors	Christopher Barnes Christian Faes Roderick Lockhart Angelie Panteli Ian Thomas
Secretary	Ruth Pearson
Company number	08146929
Registered office	Two Fitzroy Place 8 Mortimer Street London W1T 3JJ
Auditors	BDO LLP
Bankers	Barclays Bank PLC HSBC Bank PLC RBC Investor Services Bank SA U.S. Bancorp, US

Strategic report

The directors present their strategic report for LendInvest Limited (“the Company”) and its subsidiaries (together “the Group” or “LendInvest”) for the year ended 31 March 2020.

Review of the business

Our purpose

The principal activity of the Group is to provide secured property finance to third party borrowers.

Our business model

LendInvest is a platform for property finance and it provides three types of secured property lending to borrowers in the form of bridging loans, development loans, (collectively, “short term lending”), and Buy-To-Let (“BTL”) loans. LendInvest originates all loans before funding them using one of five funding sources: the listed retail bonds, the self select platform, the LendInvest Real Estate Opportunity Fund (the “Fund”), the Mortimer RMBS programme and financial institutional partnerships. The Group’s revenues arise principally from interest and fee income charged to borrowers or as management fee and servicing income received from the Fund and other funding vehicles.

One of the key objectives for LendInvest is to have as wide a variety of investors as possible so a growing, diverse and highly scalable capital base provides it with both flexibility and resilience. The Group has continued to diversify its funding in line with this objective and has expanded its funding channels during the year. These funding channels enable the efficient funding of loans.

Gross profit is reflective of the margins earned on each of the three types of property lending. As the Group continues to grow its Buy-To-Let market share, the associated margins reflect the efficiencies being delivered by the technology that underpins the Group.

Technology continues to sit at the heart of the Group’s business model and becomes increasingly important as the Group grows its share of a lower margin, higher volume product. The volume of Buy-To-Let loans originated by the Group during the year outpaced the short term lending volume by 3.3 BTL loans for every 1 short term loan, and this is expected to continue to grow. This makes the Group investment into its technology platform essential in order to ensure operational and cost efficiency over the coming years.

Key events during the year

There were a number of key events and milestones during the year:

- June 2019: the Group completes the UK's first Fintech securitisation with a £259 million transaction on its Buy-To-Let portfolio
- August 2019: LendInvest secures £200 million of funding from National Australia Bank for Buy-To-Let loans
- November 2019: the Group expands its Buy-To-Let offering into Scotland
- November 2019: the Group launches a new regulated bridge product
- January 2020: Rod Lockhart is promoted to CEO, as former CEO Christian Faes moves into an Executive Chairman position
- March 2020: the Group completes the second securitisation of its Buy-To-Let portfolio for £285m. The transaction was oversubscribed, achieved at enhanced pricing to the first securitisation in June 2019 and completed during the Covid-19 lockdown in the UK

Results and performance

The results of the Group for the year show a statutory profit from operations of £0.6m (FY 2019: £3.3m). This has reduced since the prior year due a conscious decision to continue to invest in technology and people, with average employees increasing to 210 (2019: 155). The Group has reported a loss before tax of £3.2m (FY19: profit of £0.5m). The Group incurred £2.2m of exceptional costs during the year relating to an abortive stock market listing which would have been capitalised if the transaction had been executed.

Due to the timing of the year end reporting date, there has been limited impact on the results of the Group from the Covid-19 pandemic. The Expected Credit Loss ("ECL") impairment provision prepared in accordance with IFRS 9 has been calculated using the latest available data and additional downside weighting has been applied to the provision to reflect the economic uncertainty and potential for elevated losses. See note 1.19 for additional details on the ECL provision.

The material movement in the equity position since the prior year is largely driven by the volatility in securitisation rates leading up to 31 March 2020. The rating on the UK 2.0 BTL AAA tranche, which the Group's two securitisation vehicles contain more than 80% of, increased from 88 basis points at 31 December 2019 to 220 basis points at 31 March 2020. This significant increase was related to high levels of volatility in the market and similar movements were seen across all asset classes contained within the securitisation vehicles. These rates are used to fair value the Group's Buy-To-Let portfolio and the increase led to a reduction in the fair value of the portfolio to £6.6m below its nominal value. The securitisation rates have reduced since the year end date such that if the Buy-To-Let portfolio was revalued using rates as at May 2020, when the UK 2.0 BTL AAA tranche had reduced to 150 basis points, the fair value of the portfolio would have increased to £9.9m above nominal value, a movement of £16.5m with a resultant equity position of £26.5m. The Group also implemented hedge accounting under IFRS9 during the year and due to the implementation of cash flow hedging in relation to the interest rate derivatives, a new cash flow hedge reserve of £3.8m has been created which has also adversely affected the equity position of the Group.

The Group's cash position was strengthened by the second securitisation transaction completed shortly before year end. The reported cash balance in the statement of financial position is £91.6m (2019: £40.1m) and of this, £18.3m is readily available for working capital purposes.

The Board monitors the progress of the Group by reference to the following KPIs:

	Gross management accounts		IFRS accounts	
	FY 2020	FY 2019	FY 2020	FY 2019
	Unaudited	Unaudited	Audited	Audited
	£'m	£'m	£'m	£'m
Revenue	108.4	72.7	65.5	46.8
Gross profit	30.3	26.5	30.3	26.5
Profit from operations	0.6	3.3	0.6	3.3
Adjusted EBITDA ¹	4.1	4.3	n/a	n/a
Loans and advances	1,256.7	788.3	786.3	388.2
Originations	925.2	747.4	n/a	n/a
Cash & cash equivalents	91.6	40.1	91.6	40.1

The unaudited gross management accounts KPIs above include revenue, gross profit, profit from operations, adjusted EBITDA and loans and advances arising from the following off balance sheet entities: the LendInvest Real Estate Opportunity Fund, Steorra Investments DAC and the self select platform. Loans and advances held in off balance sheet entities continue to be serviced by the Group.

¹EBITDA has been adjusted to remove non-operating, exceptional costs incurred during the year of £2.2m relating to an abortive stock exchange listing. The costs incurred (as set out in note 8) were professional fees related to the proposed transaction and they have been removed to reflect a like for like operating EBITDA. Share based payment accounting charges relating to the employee share schemes have also been removed from this metric.

During the year under review, statutory revenue increased by £18.7m to £65.5m (2019: £46.8m) and statutory loans and advances increased by £398.1m to £786.3m (2019: £388.2m). These increases were due to the significant growth in the Buy-To-Let portfolio in the period.

The Board also monitors the performance of the Group by reference to the following two product lines:

FY 2020	Gross management accounts			IFRS accounts		
	Short term lending	Buy-To-Let lending	Total	Short term lending	Buy-To-Let lending	Total
	Unaudited	Unaudited	Unaudited	Audited	Audited	Audited
	£'m	£'m	£'m	£'m	£'m	£'m
Revenue	91.3	17.1	108.4	48.4	17.1	65.5
Loans and Advances ²	656.0	600.7	1,256.7	193.2	593.1	786.3

²The Loans and Advances balances disclosed above under gross management accounts are shown gross of ECL and fair value adjustments.

Risks and uncertainties

The group is exposed to and monitors the following risks;

Credit risk: the risk that the Group's loans and advances are subject to borrower default. Credit risk management lies at the core of the business and the Group has continued to develop its strong credit risk management framework which includes:

- A clearly defined credit risk appetite framework
- The continued recruitment of specialist skills in credit underwriting
- A Credit Committee which meets monthly
- An Impairment & Modelling Committee – responsible for the governance of IFRS 9 - which meets at least quarterly

In addition to managing the credit risk associated with borrowers, the Group manages other risks including:

Brexit/market risk: the UK ceased to be a member of the EU on 31 January 2020. There continues to exist an amount of uncertainty regarding the future relationship between the UK and the EU. Whilst the directors do not currently consider Brexit to be a principal risk for the Group, they note that the Group is focused predominantly on lending against property assets in the UK. A general and persistent weakening of the UK economy and a fall in market sentiment caused by the uncertainty that Brexit may pose, has the potential to impact the performance of the Group's underlying asset recovery. The Group's approach to credit risk however is sufficiently robust such that the directors believe the business could withstand fluctuations in the UK property market in the event of economic uncertainty.

Covid-19/market risk: The UK and global economies are currently facing unprecedented shocks due to the ongoing Covid-19 pandemic and this is impacting all industries and sectors, with high levels of insolvencies and redundancies expected in the forthcoming months. Governments across the world are providing significant levels of support and the long-term effect on the global economy and the future earnings of the Group is not yet fully known. The LendInvest workforce have been working remotely throughout the lockdown, in line with government advice and the business is continuing to review the most up to date information available as it pertains both to the operations of the business and its customers. The impairment provisioning as at the 31 March 2020 has been calculated based on the most recent metrics, further details of which can be found in note 1.19.

Operational risk: the risk that financial loss or reputational damage arises from inadequate or failed processes, people or systems. The Group maintains robust operational systems and controls and through its investment in technology, has invested heavily in building up capabilities for the next stage of growth. The Group has established a Risk Committee and continues its development of a strong risk and compliance function.

Interest rate risk: the risk of financial losses from assets, liabilities and cash flows sensitive to changes in interest rates. The Group seeks to mitigate this risk by monitoring any movements and reviewing the potential risk on a regular basis through its Asset & Liability Committee. The Group uses derivatives to manage any risk above tolerable levels against funding facilities that carry floating rates where the underlying asset carries a fixed rate of return. Derivatives are carried at fair value and during the year to 31 March 2020, hedge accounting has been implemented within the group, such that movements in the fair value of the derivatives that effectively hedge variable cash flows are accounted for within the statement of other comprehensive income. The fair value is measured based on valuations obtained from counterparties.

Liquidity risk: the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's position. The Group's liquidity position is monitored and reviewed on an ongoing basis by the directors and the Assets and Liabilities Committee. A key component of liquidity risk is the Group's funding for the purpose of its long term Buy-To-Let product. The Group's strategy is to grow the portfolio and then periodically sell those assets into a securitisation vehicle. The Group has completed two securitisation transactions during the year to 31 March 2020 and it is the strategic intention to continue doing so in relation to the Buy-To-Let loans, subject to favourable market conditions.

IBOR reform: Following the 2008 financial crisis, financial market regulators embarked upon the reform and replacement of benchmark interest rates such as GBP LIBOR and other interbank offered rates (IBORs). As part of the IBOR reforms, the UK Financial Conduct Authority (FCA) has decided to terminate GBP LIBOR submissions on which these benchmark interest rates are based and to cease oversight. The shift to a new benchmark interest rate index is due to take place after 2021.

Regulatory authorities and private sector working groups, including the International Swaps and Derivatives Association (ISDA) and the Working Group on Sterling Risk-Free Reference Rates, have been discussing alternative benchmark rates for GBP LIBOR. There is uncertainty around the timing and precise nature of these changes, but current expectations are that SONIA (Sterling Overnight Index Average) will replace GBP LIBOR. There are key differences between GBP LIBOR and SONIA. GBP LIBOR is a forward-looking term rate, published for a borrowing period (e.g. 3 months) at the beginning of the borrowing period. SONIA is currently a backward-looking rate, based on overnight rates from actual transactions, and it is published at the end of the overnight borrowing period. Furthermore, GBP LIBOR includes a credit spread over the risk-free rate, which SONIA does not.

For the year-ending 31 March 2020, the Group's risk exposure that is directly affected by the IBOR reform are:

- a portfolio of BTL fixed-rate mortgages, that revert to a floating rate indexed to LIBOR after a fixed term, £600.5m; and
- a portfolio of interest rate swaps used to hedge the interest rate risk of a proportion of the BTL fixed-rate mortgages, £59m.

The Group has formed a working group to facilitate a smooth transition from GBP 3M LIBOR to the new index and has issued its most recent interest-bearing liabilities with a SONIA reference. The Bank of England have stated that term SONIA will be published from the beginning of Q3-20, at which time the Group will begin the process of switching from LIBOR to the alternative term rate across its portfolio of impacted financial instruments.

To transition existing contracts and agreements that reference GBP LIBOR to SONIA, adjustments for term differences and credit differences might need to be applied to SONIA, to enable the two benchmark rates to be economically equivalent on transition. At the time of reporting, industry working groups are reviewing methodologies for calculating adjustments between GBP LIBOR and SONIA.

Director's responsibilities under the Companies Act 2006

The Board of Directors understand their duties and responsibilities under the Companies Act 2006. This section of the Strategic Report describes how the Directors have had regard to the matters set out in section 172(1) (a) to (f) of the act.

Key stakeholder	Key concerns	Method of engagement	Company response to key concerns
Customers (borrowers, brokers and investors)	<ul style="list-style-type: none"> Smart, efficient technologies Speed A diverse and relevant product range Trusted service Up to date information and effective communication channels High standards of business conduct 	<p>The company embedded sales teams and business development managers for each product who are regularly in contact with customers via telephone calls and emails.</p> <p>The company holds specific events tailored by product or by topic, e.g. the Property Development Academy for borrowers and, in response to queries from investors, events were organised on</p>	<p>Continued diversification of the product range by launching the regulated bridge product.</p> <p>Continued investment heavily in technology, building a new Broker Portal, which allows brokers to apply for a Decision in Principle in under two minutes.</p> <p>Access to the proprietary loan-book management tool (the "Loan Engine") was given to external parties, so that external funds have access to real-time reporting of their investments.</p> <p>The website has been extensively streamlined, allowing quicker access to the key loan information for both borrowers and brokers, improving the overall customer experience.</p>

Key stakeholder	Key concerns	Method of engagement	Company response to key concerns
		<p>Loan Recoveries, and Tech & Innovation.</p> <p>The company provides Self Select platform investors with monthly factsheets.</p> <p>The company maintains technology and data roadmaps to track customer engagement.</p> <p>The company sends out regular broker feedback surveys.</p>	
Employees	<ul style="list-style-type: none"> • Culture • Remuneration • Benefits • Learning & Development (opportunities for career progression) • Transparency/visibility of the Company's strategic goals/company direction, engagement with the board • Work/life balance 	<p>All staff are asked to participate weekly in an anonymous company satisfaction survey. The results and feedback are shared both within teams and across the company.</p> <p>Monthly company updates are held which are an opportunity to outline the</p>	<p>In line with the company's "open door" policy, the Board and the Executive Committee ("Exco") sit on the open plan floor amongst the business rather than having offices. This results in the Board being accessible and visible to staff and allows the Board and Exco to regularly engage with employees outside their immediate teams.</p> <p>An agile coach was used to enable teams across the business to work in a more agile way. Various teams across the business have adopted this approach to working within their teams and cross functionally.</p> <p>A Learning & Development manager was hired to drive the L&D offering for LendInvest.</p>

Key stakeholder	Key concerns	Method of engagement	Company response to key concerns
		key achievements, financial and operational performance of the company and strategic goals of the business.	The company has a number of employees who work part time or have remote working arrangements. A new policy on remote working for all staff was recently introduced. The entire workforce moved to remote working during the recent Covid 19 related lockdown.
		TV screens around the office show how the company is tracking against targets, this is updated daily. Key data points are shared on originations and products.	A learning academy was introduced to enable knowledge transfer and sharing of specialist expertise across the business.
		“Getting to know Exco” talks - employees interview members of the Executive Committee in an open forum.	Continued investment in learning platforms for all employees to access essential training e.g. compliance and technical skills.
		Employees and managers undertake quarterly performance check-ins to ensure that their goals, learning & development and performance	

Key stakeholder	Key concerns	Method of engagement	Company response to key concerns
		is progressing and being supported.	
		An annual review of salaries and benefits packages is undertaken which is benchmarked against external market data.	
Shareholders	<ul style="list-style-type: none"> Company performance (financial and operational) Capital allocation/use of company funds Strategic execution Investment plans Effective/up to date communication 	<p>Information relating to company performance is publicly available in line with financial reporting standards.</p> <p>Major shareholders have board representation or are invited to board meetings where strategic and investment plans are discussed and approved.</p>	<p>The company has continued to invest in people and technology, generating greater efficiencies across the business and providing scalability in line with the growth of the business.</p> <p>A proprietary loan origination system, “Genesys” was built and deployed, which will streamline internal operations for case managers and underwriters. This increased productivity will allow the Group to do more with the same headcount.</p> <p>The Company built a new Data Warehouse, that has improved the quality of data and eliminated reporting errors.</p> <p>The functionality of the “Loan Engine”, the proprietary loan-book management system, has been extended to allow more automation and integration with the finance systems. Increasing efficiency and eliminating the opportunity for error.</p>

Section 172(1) (d) - Impact of the company's operations on the community and the environment

The Executive Committee is responsible for ensuring that key strategic and operational decisions in their area take into account community and environmental considerations, support CSR initiatives and practices through role-modelling and the allocation of sufficient resources and ensure compliance with the company's CSR policy.

Community

In considering LendInvest's impact on the community, the Group has resolved to sponsor a specific corporate charity each year and is supporting Crohn's & Colitis UK in 2020.

LendInvest provides and supports employee volunteering opportunities and supports corporate fundraising campaigns.

LendInvest also encourages and supports employees in their own community activities and fundraising efforts, through the provision of time and, where possible, matched financial contribution.

In the year to 31 March 2020, initiatives included a SmartWorks Suit Drive, FinTech for Schools event at the City of London for Girls school and regular food bank drives.

Environment

LendInvest is committed to behaving responsibly and to minimising its impact on the environment. The company seeks to minimise energy, water and paper usage, through design, infrastructure and behaviour by:

- Minimising waste and adopting sensible recycling policies in respect of paper and food consumption
- Providing safe and comfortable working conditions
- Encouraging staff to walk or cycle to work
- Ensuring that electrical equipment and lights are off when not in use

LendInvest also launched an Environmental, Social, Governance ("ESG") committee this year to better serve its borrowers and investors. In March 2020, the Company launched a green finance initiative which incentivises borrowers when they improve the EPC rating of their property during the term of the loan.

Events after the reporting date

In April 2020, LendInvest Secured Income Plc, which is a subsidiary of the Group, cancelled £7.3m of bonds which were sold back to the company by a third party bond holder at lower than par value. A gain of £1.4m was recorded in the Consolidated Statement of Profit and Loss.

Since 31 March 2020, the Covid-19 pandemic has meant that economic conditions in the UK have deteriorated and the continued government imposed lockdown conditions have effectively shut down many industries and sectors. There has been some loosening of restrictions prior to the approval of these financial statements and more will be lifted in the forthcoming weeks but there remains a high level of uncertainty on the length of the lockdown and the long-term effects on the economy such that any financial impacts are difficult to model. The Group has created a number of financial forecasts and continues to work closely with its institutional funding lines to monitor the developing situation. The business model and the products offered have been, and will continue to be, appropriately adjusted to reflect the level of risk in the economy.

Until conditions start to normalise within the UK economy, the Group has reduced capital expenditure and taken prudent steps to reduce operating expenses to maximise working capital during these unprecedented conditions.

The Group's operating software is cloud based and the entire workforce has been able to work remotely during the ongoing lockdown. This has not caused any meaningful reduction in the efficiency of operations and the business has continued to lend across all products since lockdown was enforced.

Future developments

The Group continues to monitor the effects of Covid-19 closely while ensuring the business is set up for success so it is able to ramp up operations as soon as the UK lockdown is fully lifted.

Approved by the Board of Directors and signed on its behalf by:



Ian Thomas
Director
19 June 2020

Directors' report

The directors present their report and the audited consolidated financial statements of the Group for the year ended 31 March 2020.

Future outlook

See the strategic report.

Financial risk management

The Group reviews its approach to the management of credit, liquidity and other related risks within the strategic report.

Going concern

On the basis of their assessment of the Group and the Company's financial position, the Company's directors have a reasonable expectation that the Group will be able to continue in operational existence for the foreseeable future. Further information supporting the going concern basis may be found in note 1 of the financial statements.

The impact of Covid-19 has been assessed and several financial forecasts have been prepared for the forthcoming year across a range of potential scenarios. Alongside this, a comprehensive review of all covenants attached to all funding sources, has been conducted to ensure ongoing compliance both under expected circumstances and potential stressed scenarios. The directors have reviewed these plans and consider the Group to have sufficient resources to continue its activities for 12 months from the reporting date, including against the most severe but plausible outcome and do not consider there to be any material uncertainty.

Results and dividends

The results of the Group for the year show a statutory profit from operations of £0.6m (2019: £3.3m). The statutory loss after tax for the year amounted to £2.2m (2019: profit of £0.6m). Statutory loss before tax is stated after recognition of an accounting loss on the fair value of the interest rate swap of £2.0m offset by a fair value gain of £0.3m on an undrawn committed loan facility (see note 12) and non-operating, exceptional costs of £2.2m (see note 8). The Company paid no dividends during the year (2019: £nil) and the directors do not recommend a final dividend.

Director's responsibilities under the Companies Act 2006

The table below sets out how key decisions taken during the year were impacted by the Group's customers' and stakeholders' needs and how they link to the Group's strategy.

Key decisions in the year	How the directors fostered business relationships with suppliers, customers and others	Impact on longer term strategy
Launched regulated bridge	<p>The directors recognised an increasing demand for a regulated bridge product from existing customers.</p> <p>The directors identified a gap in the market for this product through market research and customer feedback (through conversations, emails, and industry events).</p> <p>Expanding the product offering is key to attracting a diverse customer base and retaining existing customers.</p>	<p>First step to achieving the long term strategic goals of becoming a key player in the regulated home loans market and a 'whole of market' lender.</p> <p>Achieves the strategic aim of continuing to diversify the product offering and remaining at the forefront of the property lending market.</p>
Completed the company's first securitisation	<p>The directors recognised a need to offer investment products that are attractive to institutional investors. Securitisation is one of those products and not something the company has offered before.</p>	<p>Achieves the strategic aim of attracting a wide variety of investors, which provides a diverse and scalable capital base.</p> <p>Securitisation is a new source of funding for the business and enables access to a new market. It achieves the strategic aim of driving a scalable, cheaper source of funding.</p>
Secured the National Australia Bank funding line	<p>Additional funding is essential to continue to fund a greater range of Buy-To-Let loans to a broader customer base.</p>	<p>Achieves the strategic aim of continuing to diversify the company's funding channels, to spread liquidity risk, increase flexibility and the ability to fund loans.</p>

Political donations

The Company made no political donations during the year (2019: £nil).

Events after the reporting date

In April 2020, LendInvest Secured Income Plc, which is a subsidiary of the Group, cancelled £7.3m of bonds which were sold back to the company by a third party bond holder at lower than par value. A gain of £1.4m was recorded in the Consolidated Statement of Profit and Loss.

Since 31 March 2020, the Covid-19 pandemic has meant that economic conditions in the UK have deteriorated and the continued government imposed lockdown conditions have effectively shut down many industries and sectors. There has been some loosening of restrictions prior to the approval of these financial statements and more will be lifted in the forthcoming weeks but there remains a high level of uncertainty on the length of the lockdown and the long-term effects on the economy such that any financial impacts are difficult to model. The Group has created a number of financial forecasts and continues to work closely with its institutional funding lines to monitor the developing situation. The business model and the products offered have been, and will continue to be, appropriately adjusted to reflect the level of risk in the economy.

Until conditions start to normalise within the UK economy, the Group has reduced capital expenditure and taken prudent steps to reduce operating expenses to maximise working capital during these unprecedented conditions.

The Group's operating software is cloud based and the entire workforce has been able to work remotely during the ongoing lockdown. This has not caused any meaningful reduction in the efficiency of operations and the business has continued to lend across all products since lockdown was enforced.

Directors

The directors of the Company who were in office during the year and for the period up to the date of signing the financial statements were:

Christopher Barnes (appointed on 7 November 2019)

Christian Faes

Mattias Ljungman (resigned on 7 November 2019)

Roderick Lockhart (appointed 13 January 2020)

Angelie Panteli

Ian Thomas

Qualifying third party indemnity insurance

The Company has arranged qualifying third party indemnity insurance for all of its directors.

Auditors

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- each director has taken all the steps he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

BDO LLP have expressed their willingness to continue as auditor.

Approved by the Board of Directors and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'I. Thomas', with a long horizontal flourish extending to the right.

Ian Thomas
Director
19 June 2020

Directors' Responsibility Statement

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

The Companies Act 2006 requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the statement of profit and loss of the Group and Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; and
- prepare the Group and the Company financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the members of LendInvest Limited

Opinion

We have audited the financial statements of LendInvest Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 March 2020 which comprise the consolidated statement of profit and loss, the consolidated statement of comprehensive income, the consolidated statement of financial position, the company statement of financial position, the consolidated statement of cash flows, the company statement of cash flows, the consolidated statement of changes in equity and company statement of changes in equity, and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2020 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, 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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group or Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion;

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Statement of Directors Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine 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, the Directors are responsible for assessing the Group's and the Parent 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 unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have 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 (UK) 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP

Ariel Grosberg (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK
19/06/2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

Consolidated statement of profit and loss

	Note	Year Ended 31 March 2020	Year Ended 31 March 2019
		£'000	£'000
Revenue ¹	6	65,477	46,825
Cost of sales	7	(35,226)	(20,369)
Gross profit		30,251	26,456
Administrative expenses	8	(25,354)	(19,550)
Impairment provisions		(4,272)	(3,625)
Profit from operations		625	3,281
Interest income	11	77	34
Finance expense	12	(1,751)	(2,772)
Exceptional costs		(2,179)	-
(Loss) / Profit before tax		(3,228)	543
Income tax credit	13	1,020	73
(Loss) / Profit after taxation		(2,208)	616

1. Revenue is defined as interest and fee income and similar income.

All amounts relate to continuing activities and to owners of the Group.

The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present its statement of profit and loss and other comprehensive income.

The profit after tax of the parent company for the year was £1.9m (2019: £4.8m).

Consolidated statement of other comprehensive income

	Note	Year Ended 31 March 2020	Year Ended 31 March 2019
		£'000	£'000
(Loss) / Profit after taxation		(2,208)	616
Other comprehensive (loss) / income:			
Items that will or may be reclassified to profit or loss			
Fair value (loss) / gain on loans and advances measured at fair value through other comprehensive income	26	(7,117)	52
Cash flow hedge adjustment through other comprehensive income		(4,669)	-
Fair value adjustments on interest bearing liabilities through other comprehensive income		1,361	-
Deferred tax credit on gross movements through OCI	13	1,981	(10)
Other comprehensive (loss) / gain for the year		(8,444)	42
Total comprehensive (loss) / income for the year		(10,652)	658

Consolidated statement of financial position

	Note	As at 31 March 2020 £'000	As at 31 March 2019 £'000
Assets			
Cash and cash equivalents	19	91,609	40,081
Trade and other receivables	18	12,538	9,843
Loans and advances	20	786,348	388,159
Property, plant and equipment	15	5,615	880
Intangible fixed assets	16	5,357	3,179
Fair value adjustment for portfolio hedged risk asset	3	3,421	-
Deferred taxation	13	3,383	243
Total assets		908,271	442,385
Liabilities			
Trade and other payables	21	(32,896)	(30,498)
Interest bearing liabilities	22	(846,164)	(388,147)
Lease liabilities	2	(5,717)	-
Derivative financial liabilities	27	(12,993)	(2,871)
Deferred taxation	13	(373)	(255)
Total liabilities		(898,143)	(421,771)
Net Assets		10,128	20,614

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

	Note	As at 31 March 2020	As at 31 March 2019
		£'000	£'000
Equity			
Employee share reserve		915	455
Share capital	23	-	-
Share premium		17,540	17,278
Fair value reserve	24	(4,113)	549
Cash flow hedge reserve	24	(3,782)	-
Retained earnings	24	(432)	2,332
Total equity		10,128	20,614

The financial statements on pages 24 to 105 were approved and authorised for issue by the Board of Directors on 19 June 2020 and were signed on its behalf by:



Ian Thomas
Director

Company statement of financial position

	Note	As at 31 March 2020	As at 31 March 2019
		£'000	£'000
Assets			
Cash and cash equivalents	19	29,611	19,721
Trade and other receivables	18	30,890	26,640
Loans and advances	20	11,028	15,836
Property, plant and equipment	15	5,615	880
Intangible assets	16	5,296	2,979
Investment in subsidiaries	17	14	14
Deferred taxation	13	283	86
Total assets		82,737	66,156
Liabilities			
Trade and other payables	21	(17,544)	(19,912)
Interest bearing liabilities	22	(32,486)	(21,329)
Lease liabilities	2	(5,717)	-
Deferred taxation	13	(118)	(126)
Total liabilities		(55,865)	(41,367)
Net Assets		26,872	24,789

COMPANY STATEMENT OF FINANCIAL POSITION (continued)

	Note	As at 31 March 2020 £'000	As at 31 March 2019 £'000
Equity			
Employee share reserve		915	455
Share capital	23	-	-
Share premium		17,540	17,278
Fair value reserve	24	18	(2)
Retained earnings	24	8,399	7,058
Total equity		26,872	24,789

The financial statements on pages 24 to 105 were approved and authorised for issue by the Board of Directors on 19 June 2020 and were signed on its behalf by:



Ian Thomas
Director

Consolidated statement of cash flows

	Note	Year Ended 31 March 2020	Year Ended 31 March 2019
Cash flow from operating activities		£'000	£'000
(Loss)/ Profit after taxation		(2,208)	616
Adjusted for:			
Depreciation of property, plant and equipment	15	215	262
Amortisation of intangible assets	16	1,178	454
Company share and share option schemes	25	460	259
Interest income	11	(77)	(34)
Income tax expense	13	(108)	(73)
Unrealised loss on derivatives	3	2,032	2,772
Impairment provision ¹		4,414	3,625
Depreciation of right of use asset	2/15	917	-
Interest expense of right of use asset	2	643	-
Exceptional costs		2,179	-
Change in working capital			
(Increase) / decrease in gross loans and advances	20	(409,720)	(187,733)
(Increase) / decrease in trade and other receivables	18	(5,505)	(4,454)
Increase / (decrease) in trade and other payables	21	4,563	13,338
Income taxes paid		(93)	(140)
Cash generated from operations		(401,110)	(171,108)

CONSOLIDATED STATEMENT OF CASHFLOWS (continued)

	Note	Year Ended 31 March 2020	Year Ended 31 March 2019
	£'000	£'000	£'000
Cash flow from investing activities			
Purchase of property, plant and equipment	15	(190)	(204)
Capitalised development costs	16	(3,356)	(2,662)
Interest income	11	77	34
Net cash from investing activities		(3,469)	(2,832)
Cash flow from financing activities			
Increase / (decrease) in interest bearing liabilities ²	22	459,378	173,715
Lease payments on right of use asset		(1,140)	-
Service charge on right of use asset		(214)	-
Proceeds from an equity share issue		262	10,278
Equity raise costs		-	(238)
Exceptional costs		(2,179)	-
Net cash from financing activities		456,107	183,755
Net increase / (decrease) in cash and cash equivalents		51,528	9,815
Cash and cash equivalents at beginning of the period	19	40,081	30,266
Cash and cash equivalents at end of the period	19	91,609	40,081

¹The non-cash movement in the impairment provision differs from the charge to the statement of profit and loss in respect to the impairment provision for the year ended 31 March 2020. This is due to the charge to the statement of profit and loss including a credit of £142k in respect of cash amounts recovered in the period on loans that have previously been written off.

²The cash flow due to increases in interest bearing liabilities differs from the change in the balance sheet from 31 March 2019 to 31 March 2020 as there has been a fair value adjustment to interest bearing liabilities for £1,361k.

Company statement of cash flows

	Note	Year Ended March 2020	Year Ended March 2019
Cash flow from operating activities		£'000	£'000
Profit after taxation		1,897	4,821
Adjusted for:			
Depreciation of property, plant and equipment	15	215	262
Amortisation of intangible assets	16	1,039	330
Company share and share option schemes	25	460	259
Interest income	11	-	(13)
Income tax (credit) / expense		(957)	1,024
Impairment provision	20	285	356
Other non-cash movements		-	239
Depreciation of right of use asset	2/15	917	-
Interest expense of right of use asset	2	643	-
Exceptional costs		2,179	-
Change in working capital			
(Increase) / decrease in gross loans and advances	20	4,547	(16,194)
(Increase) / decrease in trade and other receivables	18	(3,269)	(18,077)
Increase / (decrease) in trade and other payables	21	(2,313)	8,097
Income taxes paid	13	(93)	(141)
Cash generated from operations		5,550	(19,037)

COMPANY STATEMENT OF CASHFLOWS (continued)

	Note	Year Ended March 2020	Year Ended March 2019
Cash flow from investing activities			
Purchase of property, plant and equipment	15	(190)	(204)
Capitalised development costs	16	(3,356)	(2,557)
Decrease / (increase) in investment in subsidiaries	17	-	-
Interest income		-	13
Net cash from investing activities		(3,546)	(2,748)
Cash flow from financing activities			
Increase in interest bearing liabilities	22	11,157	21,329
Lease payments on right of use asset		(1,140)	-
Service charge on right of use asset		(214)	-
Proceeds from an equity share issue		262	10,278
Equity raise costs		-	(238)
Exceptional costs		(2,179)	-
Net cash from financing activities		7,886	31,369
Net increase in cash and cash equivalents		9,890	9,584
Cash and cash equivalents at beginning of the period	19	19,721	10,137
Cash and cash equivalents at end of the period	19	29,611	19,721

Consolidated statement of changes in equity

Note	Share capital	Share premium	Employee share reserve	Fair value reserve net of deferred tax	Cash flow hedge reserve net of deferred tax	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 1 April 2018	-	7,000	196	507	-	1,954	9,657
Profit after taxation	-	-	-	-	-	616	616
Issue of new equity and associated costs	-	10,278	-	-	-	(238)	10,040
Recognition of employee share options schemes	-	-	259	-	-	-	259
Fair value adjustments on loan & advances	-	-	-	42	-	-	42
Balance as at 31 March 2019	-	17,278	455	549	-	2,332	20,614
Transitional impact of adopting IFRS 16 ¹	-	-	-	-	-	(556)	(556)
Balance as at 01 April 2019 (restated)	-	17,278	455	549	-	1,776	20,058
Profit/(loss) after taxation	-	-	-	-	-	(2,208)	(2,208)
Issue of new equity and associated costs	-	262	-	-	-	-	262

CONSOLIDATED STATEMENT OF CHANGE IN EQUITY (continued)

	Note	Share capital	Share premium	Employee share reserve	Fair value reserve net of deferred tax	Cash flow hedge reserve net of deferred tax	Retained earnings	Total
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fair value adjustments on loan & advances through OCI		-	-	-	(5,764)	-	-	(5,764)
Fair value Adjustments on interest bearing liabilities through OCI		-	-	-	1,102	-	-	1,102
Cash flow hedge adjustment through OCI		-	-	-	-	(3,782)	-	(3,782)
Employee share options schemes	25	-	-	460	-	-	-	460
Balance as at 31 March 2020		-	17,540	915	(4,113)	(3,782)	(432)	10,128

¹Please see note 2 for details of the restatement

Company statement of changes in equity

	Note	Share capital	Share premium	Employee share reserve	Fair value reserve net of deferred tax	Retained earnings	Total
		£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 1 April 2018		-	7,000	196	-	2,475	9,671
Issue of new equity and associated costs		-	10,278	-	-	(238)	10,040
Total comprehensive income for the period		-	-	-	-	4,821	4,821
Recognition of employee share options schemes		-	-	259	-	-	259
Fair value adjustments on loan & advances		-	-	-	(2)	-	(2)
Balance as at 31 March 2019		-	17,278	455	(2)	7,058	24,789
Transitional impact of adopting IFRS 16 ¹		-	-	-	-	(556)	(556)
Balance as at 31 March 2019		-	17,278	455	(2)	6,502	24,233
Issue of new equity and associated costs		-	262	-	-	-	262
Profit/(loss) after taxation		-	-	-	-	1,897	1,897
Recognition of employee share options schemes	25	-	-	460	-	-	460
Fair value adjustments on loan & advances		-	-	-	20	-	20
Balance as at 31 March 2020		-	17,540	915	18	8,399	26,872

¹Please see note 2 for details of the restatement

Notes to the financial statements

1. Basis of preparation and significant accounting policies

1.1 Going concern

The Group's business activities together with the factors likely to affect its future development and position are set out in the strategic report. It is on this basis that the directors have continued to prepare the accounts on a going concern basis.

1.2 Basis of preparation

The financial statements have been prepared in accordance with the Companies Act 2006 and International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") as adopted by the European Union.

The financial statements have been prepared on a historical cost basis, except as required in the valuation of certain financial instruments which are carried at fair value. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in this note 1.19.

The Group maintains its books and records in pound sterling ("£").

Changes in accounting standards and policies since the last published Annual Report

IFRS 16 – Leases

See note 2 for details of the impact of implementing IFRS 16.

IFRIC 23 - Uncertainty over Income Tax Positions

IFRIC 23 provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation requires:

- The Group to determine whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution;
- The Group to determine if it is probable that the tax authorities will accept the uncertain tax treatment; and
- If it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty. This measurement is required to be based on the assumption that each of the tax authorities will examine amounts they have a right to examine and have full knowledge of all related information when making those examinations.

NOTES TO THE FINANCIAL STATEMENTS (continued)

The implementation of this standard has not had an effect on the current, or prior year, financial statements.

Hedge accounting

The Group has implemented hedge accounting in the year ended 31 March 2020 for its portfolio of interest rate swaps entered to mitigate its interest risk exposure. Hedge accounting better represents the effect of the Group's risk management activities.

The Group implemented macro fair value hedge accounting under IAS 39 and cash flow hedge accounting under IFRS 9. See note 3 for further details.

IBOR reform amendments

For year ending 31 March 2020, the Group has elected to early adopt the IASB's Phase 1 Amendments to IAS39, IFRS 9 and IFRS7 for IBOR Reform, issued in September 2019. The amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by IBOR reform. The reliefs have the effect that IBOR reform should not generally cause hedge accounting to terminate. Hedge ineffectiveness will continue to be recorded in the income statement. Furthermore, the amendments set out triggers for when the reliefs will end, which include the uncertainty arising from interest rate benchmark reform no longer being present.

The Group has adopted specific amendments that provide temporary relief to the hedge accounting requirements of its macro hedges, these are:

- Risk components – the Group separately identifies LIBOR risk component only at initial hedge designation and not an ongoing basis
- IAS 39 prospective assessments – the Group assumes that interest rate cash flows of the hedged item and hedging instrument do not change as a result of IBOR reform
- IAS 39 retrospective effectiveness test – if effect of IBOR reform results in fair value changes that cause hedge effectiveness to fail the prescribed 80% -125% range, hedge accounting is not discontinued

New standards and amendments not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the group has decided not to adopt early. The following amendments are effective for the period beginning 1 April 2020:

- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Definition of Material)
- IFRS 3 Business Combinations (Amendment – Definition of Business)
- Revised Conceptual Framework for Financial Reporting

In January 2020, the IASB issued amendments to IAS 1, which clarify the criteria used to determine whether liabilities are classified as current or non-current. These amendments clarify that current or non-current classification is based on whether an entity has a right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. The amendments also clarify that 'settlement' includes the transfer of cash, goods, services, or equity instruments unless the obligation to transfer equity instruments arises from a conversion feature classified as an equity instrument separately from the liability component of a compound financial instrument. The amendments are effective for annual reporting periods beginning on or after 1 January 2022.

The Group is currently assessing the impact of these new accounting standards and amendments. None of the changes to the standards above are expected to have a significant impact on the Group.

1.3 Foreign currency

Items included in the financial statements are measured using the currency of the primary economic environment in which they operate (their "functional currency") and are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in the statement of profit and loss. The financial statements are presented in pounds sterling, which is the Group's and the Company's functional currency.

1.4 Investments in subsidiaries

Investments held as fixed assets are stated at cost less any provision for impairment. Where the recoverable amount of the investment is less than the carrying amount, impairment is recognised.

1.5 Basis of consolidation

Subsidiary companies and other controlled entities

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company as if they were a single entity.

Where the Company has control over an investee, it is classified as a subsidiary. The Company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the Company to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

If the Company were to hold a significant but less than a majority of voting rights but could assert power within the relationship (i.e. "de facto power") the investee would also be classed as a subsidiary. No subsidiaries have been consolidated in the current financial year using this approach.

The subsidiaries listed in note 17 are consolidated as the Group controls 100% of the voting share capital of each, is subject to variable returns of each and has the power to influence those variable returns.

Intra-Group transactions, balances and unrealised gains or losses are eliminated on consolidation.

Business combinations

A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory.

1.6 Revenue recognition

Revenue represents interest and other income from borrowers and for the provision of finance. Revenue recognised on loans held by related and third parties is recognised as follows:

Recognised under IFRS 9:

- Interest on loans and advances made by the group is recognised in the consolidated statement of profit and loss using the effective interest rate method. See note 20 for further details
- Origination fee income represents arrangement, valuation, introduction, and other broker fees earned from borrowers which are amortised over the life of the loan or recognised immediately upon sale of the loan

Recognised under IFRS 15:

- Advisory fees represent management, incentive and performance fees received from off balance sheet entities. These fees are recognised in the statement of profit and loss when the service is performed

Revenue comprises the fair value of the consideration received or receivable in the ordinary course of the Group's activities.

All revenue recorded in the financial statements is sourced from transactions relating to property loans. Fees on these transactions are calculated based on the above revenue recognition policy.

The Group considers its provisioning policy in accordance with IFRS 9 – Financial instruments.

1.7 Fees and commission paid

Fees and commission are recognised as follows:

- Origination fees, representing valuation and broker fees, are considered as incremental costs that would not have been incurred if the loan had not been originated. These fees are amortised over the life of the loan
- Funding line amortisation of initial funding line set up costs. These are recognised evenly over the life of the facility
- Advisory fees, representing introducer fees, and trail commission derived from off balance sheet funds. These costs are recognised as they occur

1.8 Property, plant and equipment

Items of property, plant and equipment are initially recognised at cost. As well as the purchase price, the cost includes directly attributable costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognised within provisions.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Depreciation is provided on all other items of property, plant and equipment so as to write off their carrying value over their expected useful economic life. It is provided at the following rates:

Computer equipment	33 - 50% per annum straight line
Furniture and fittings	20 - 50% per annum straight line
Leasehold improvements	lesser of lease period or useful life

1.9 Intangible fixed assets

Where they meet the criteria of IAS 38, internally developed software expenditure is capitalised as an intangible fixed asset and is amortised on a straight-line basis over its useful economic life once the asset is available for use. The useful economic life of the assets is identified as part of the project planning stage in line with wider business objectives. The assets are amortised over their expected useful life at 33% per annum.

Software licenses are initially recognised at cost. Depreciation is provided so as to write off their carrying value over their expected useful economic life at the following rates:

Computer and telephony software	20 - 50% per annum straight line
---------------------------------	----------------------------------

1.10 Interest receivable

Interest receivable on bank deposits is recognised on an accruals basis within “Interest Income” in the statement of profit and loss.

1.11 Administration expenses

Expenses are recognised as an expense in the statement of profit and loss in the period in which they are incurred (on an accruals basis).

1.12 Provisions, contingent liabilities and contingent assets

Provisions are liabilities of uncertain timing or amount and contingent liabilities and contingent assets are dependent on one or more uncertain future events. Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as provisions 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.

1.13 Financial Instruments

Recognition

Financial instruments are recognised on the balance sheet when the Group attains the right/(or obligation) to receive/(or deliver) cash flows from the instrument and when the risks and rights associated with ownership are transferred to the Group.

Classification and measurement

As per IFRS 9, The Group classifies its financial instruments with reference to both the Group's business model for managing the assets and the contractual cash flow characteristics of the instrument.

Financial assets

The Group's financial assets have been classified into the following categories:

i) At amortised cost

These are assets for which the business model is to hold the asset and collect the contractual cash flows. The cash flows are solely payments of principal and interest and are on specified dates.

The Group holds cash and cash equivalents and trade and other receivables at amortised cost.

On initial recognition the asset is held at its fair value minus any transaction costs. Subsequent measurement is based on the effective interest rate method and is subject to impairment where relevant.

ii) At fair value through other comprehensive income

These are assets for which the business model is to hold the asset and collect the contractual cash flows and to sell the assets.

The Group holds drawn loans and advances at fair value through other comprehensive income.

These assets are initially recognised at fair value, plus any attributable costs. Subsequent changes in fair value are recognised in equity, except for impairment losses which are recognised in the Statement of Profit and Loss.

For further information on the measurement of impairment losses, please see note 20.

Upon derecognition, any accumulated movements in fair value previously recognised in equity are reclassified to profit or loss in the Statement of Profit and Loss.

iii) At fair value through profit or loss

These are assets for which the business model is neither to hold nor to hold or sell, or where contractual cash flows are not solely payments of principal and interest.

The Group holds undrawn loans subject to a committed facility at fair value through profit or loss.

These assets are initially recognised at fair value with any subsequent changes in fair value recognised in the Statement of Profit and Loss.

Financial liabilities

i) At amortised cost

All financial liabilities are measured at amortised cost, unless IFRS 9 specifically determines they should be valued at fair value through profit or loss.

The Group holds trade and other payables and interest-bearing liabilities at amortised cost.

On initial recognition the liability is held at its fair value plus any transaction costs. Subsequent measurement is based on the effective interest rate method.

ii) At fair value through profit or loss

Financial liabilities are measured at FVTPL when they meet the definition of held for trading, or when they are designated as such to eliminate or significantly reduce an accounting mismatch that would otherwise arise.

The carrying value of each of the categories described is disclosed in note 26.

Derivatives

The Group holds a portfolio of derivatives for risk management purposes. The Group's accounting treatment for derivatives that qualify for hedge accounting is discussed in note 3.

Derivatives that do not qualify for hedge accounting are held at fair value through profit or Loss.

De-recognition

Financial instruments are only derecognised when the contractual rights/(or obligations) to receive/(or deliver) cash flows from them have expired or when the Group has transferred substantially all risks and rewards of ownership.

1.14 Share capital

Financial instruments issued by the Group are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.

1.15 Share based payments

Where the issuance of shares or rights to shares are awarded to employees, the fair value of the options at the date of grant is charged to the statement of comprehensive income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive income over the remaining vesting period.

1.16 Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the year end date.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affect neither accounting nor taxable profit and loss. Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted at the year-end date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax balances are not discounted. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

1.17 Dividends

Dividends are recognised when they become legally payable. In the case of interim dividends to ordinary and preferred share shareholders, this is when paid by the Group. In the case of final dividends to ordinary and preferred share shareholders, this is when declared by directors and approved by the shareholders at the relevant board meeting.

1.18 Write-offs

Loans and advances are written off (either partially or in full) when the prospect of recovery is limited or uncertain. This is generally the case when the primary security has been realised and the Group is unable to reach an agreement with the borrower for immediate or short-term repayment of the amounts subject to the write-off. Financial assets that are written off can still be subject to enforcement activities in order to recover amounts due. Amounts subsequently recovered on assets previously written off are recognised in impairment losses on financial assets in the statement of profit and loss.

1.19 Critical accounting estimates and judgements

The preparation of these financial statements in accordance with IFRS requires the use of estimates. It also requires management to exercise judgement in applying the accounting policies.

Judgements

Consolidated Financial Statements

Subsidiary undertakings are all entities (including special purpose entities) over which the Group has power, exposure or rights to variable returns, and the ability to affect those returns through its power over the undertaking.

NOTES TO THE FINANCIAL STATEMENTS (continued)

The Group has a number of associated entities that it considers for consolidation under IFRS 10. Control is reassessed and judgement is used whenever facts and circumstances indicate that there may be a change in these elements of control. LendInvest Income Limited Partnership is consolidated in the current year, due to the commitment of support given to it by LendInvest Limited, as it was in the year to 31 March 2019. The partnership was formally dissolved in the current year.

Significant increase in credit risk

The determination of how significant an increase in lifetime PD should be to trigger a move to Stage 2 for impairment requires significant judgement. Management have adopted a test-based approach to derive objective thresholds such that credit deterioration is recognised at the appropriate point. See note 20 for further details.

Fair value measurement

Judgements were applied to determine the unobservable inputs to the fair value models used to calculate the fair values of loans and advances. These include the discount rate, prepayment rates, PDs, LGDs, recovery costs and cure probabilities driven from the ECL models.

Estimates and assumptions

Fair value measurement

A number of assets and liabilities included in the Group's financial statements require disclosure of fair value. The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy').

Level 1: Quoted prices in active markets for identical items

Level 2: Observable direct or indirect inputs other than Level 1 inputs

Level 3: Unobservable inputs (i.e. not derived from market data and require a level of estimates and judgements within the model).

See note 26 for more detailed information related to fair value measurement.

Expected Credit Loss Calculation

The accounting estimates with the most significant impact on the calculation of impairment loss provisions under IFRS 9 are macroeconomic variables, in particular UK house price inflation and unemployment, and the probability weightings of the macroeconomic scenarios used. The Group has used three macroeconomic scenarios, which are considered to represent a range of possible outcomes over a normal economic cycle, in determining impairment loss provisions:

- a central scenario aligned to the Group's business plan;
- a downside scenario as modelled in the Group's risk management process; and
- an upside scenario representing the impact of modest improvements to assumptions used in the central scenario.

The central scenario represents management's current view of the most likely economic outturn. During the year, the following weightings of the different scenarios were used:

NOTES TO THE FINANCIAL STATEMENTS (continued)

- BTL ECL model – 40% / 40% / 20% to the central, downside and upside scenarios
- Short Term Lending ECL models – 40% / 50% / 10% to the central, downside and upside scenarios

A further downside has been applied to the short-term lending models compared to the BTL model due to the ongoing Covid-19 pandemic and the Group's expectation of a reduction of property values over the medium term of 12-15 months from the reporting date. This is expected to have a much greater impact on the short-term lending book.

Valuation of share based payments

Estimating the fair value for share based payment transactions requires determination of the most appropriate valuation method, which depends on the terms and conditions of the award. 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 Group uses a Black-Scholes option pricing model for the employee share scheme. The assumptions for estimating the fair value for share based payment transactions are disclosed in note 25.

Sensitivity Analysis on ECL models

Sensitivity analysis has been completed on a number of different scenarios to better assess the impact of changing variables on the ECL calculation in the current environment:

- The ECL models were run using April macroeconomic data. This would increase the total ECL by £0.1m
- A 100% downside was applied to all the models. This would increase the ECL by £0.8m
- All BTL borrowers who had requested a payment holiday before 31 March 2020 were downgraded to a minimum stage 2. This would increase the ECL by £0.1m
- A 10% increase in the forced sale discount. This would increase the ECL by £0.3m

2. Impact of adoption of IFRS 16 - Leases

2.1 Introduction

On 1 April 2019, the Group adopted the requirements of IFRS 16. The new standard replaces IAS 17 'Leases' and related interpretations. The standard applies to all leasing arrangements and sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessor and lessee accounting.

The Group has adopted IFRS 16 using the modified retrospective approach (with practical expedients). As such, the standard is applied as of 1 April 2019, with the cumulative effect recognised as an adjustment to the opening balance of retained earnings. Comparative information for 2018 is not restated.

The key changes and impacts are outlined below:

Definition of a lease

Under IFRS 16, a contract is, or contains a lease, if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

Transition

On transition to IFRS 16, the Group elected to apply the practical expedient set out in IFRS 16, which states an entity is not required to reassess whether a contract is, or contains, a lease at the date of initial application. As such, the Group only applies the new requirements of IFRS 16 to contracts previously identified as leases under IAS 17 and to contracts entered into or changed on or after 1 April 2019 that meet the definition of a lease under IFRS 16. Contracts that were not previously identified as leases under IAS 17 were not reassessed.

Lessor accounting

Lessor accounting under IFRS 16 is largely unchanged from IAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as set out in IAS 17.

2.2 Transition

On adoption of IFRS 16, the accounting policies applied by the Group for leases in which it acts as a lessor are unchanged and there are no other impacts.

Lessee accounting

Previously under IAS 17, the Group classified each of its leases at inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards of ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between finance charges and a reduction of the lease liability. In an operating lease, the leased asset was not capitalised and the lease payments were charged to administrative expenses in the statement of profit and loss on a straight-line basis over the lease term. Any prepaid or accrued lease payments were recognised in other assets or other liabilities, respectively.

Lessor accounting

Lessor accounting under IFRS 16 is largely unchanged from IAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as set out in IAS 17. The group does not have lease contracts where it acts as the lessor.

The Group introduced a single lessee accounting model for all leases. All leases are now recognised on-balance sheet whereby, a right-of-use asset is recognised to represent the right to use the underlying asset and a lease liability is recognised to represent the obligation to make lease payments.

2.3 Accounting policies - leases

A summary of the new accounting policies applied by the Group upon adoption of IFRS 16 for leases in which it acts as a lessee is as follows:

Right-of-use assets

The Group recognises a right-of-use asset at the lease commencement date. The right-of-use asset is measured at cost, less any accumulated depreciation and impairment losses, and is adjusted for any remeasurement of the lease liability. The cost of the right-of-use asset includes the amount of the lease liability recognised, initial direct costs incurred, costs of removal and restoration, and lease payments made at or before the commencement date less any lease incentives received.

NOTES TO THE FINANCIAL STATEMENTS (continued)

The Group presents right-of-use assets under property, plant and equipment in the statement of financial position.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. Right-of-use assets are subject to impairment. Depreciation and impairment losses are charged to administrative expenses in the statement of profit and loss.

Lease liabilities

At the lease commencement date, the Group recognises a lease liability measured at the present value of the lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an administrative expense in the statement of profit and loss in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date, unless the interest rate implicit in the lease is readily determinable. After the commencement date, the lease liability is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments, or a change in the assessment to purchase the underlying asset.

Lease term

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease if it is reasonably certain not to be exercised.

Transition

Leases previously classified as finance leases:

At the date of transition, 1 April 2019, the Group had no lease contracts that had previously been classified as finance leases in which it acts as the lessee.

Leases previously classified as operating leases:

At the date of transition, 1 April 2019, the Group had one lease contract for a property that had previously been classified as an operating lease in which it acts as the lessee. For this lease, upon transition the Group recognised a right-of-use asset and a lease liability. The lease liability was recognised at the present value of the remaining lease payments discounted using the incremental borrowing rate at the date of initial application. Right-of-use assets were recognised at an amount equal to the lease liability, adjusted for any related prepaid and accrued lease payments previously recognised.

2.4 Impact on adoption of IFRS 16 in the period

	£'000s
Operating lease commitments as at 31 March 2019	8,409
Weighted average incremental borrowing rate as at 1 April 2019	10%
Discounted operating lease commitments as at 1 April 2019	5,951
Add: Incorporation of service charge	480
Lease liabilities as at 1 April 2019	6,431

The table below sets out the carrying amounts of the Group's right-of-use assets, lease liabilities and the movements during the year ended 31 March 2020:

	Right-of-use leasehold property	Lease liabilities
	£'000	£'000
As at 1 April 2019	6,048	6,431
Additions	-	-
Depreciation expense	(917)	-
Interest expense	-	643
Payments	-	(1,357)
As at 31 March 2020	5,131	5,717

The below table sets out the amounts recognised in the statement of profit and loss:

Year ended 31 March 2020	Administrative expenses	Interest expense	Total
	£'000	£'000	£'000
Depreciation expense of right-of-use-asset	917	-	917
Interest expense on lease liabilities	-	643	643
Total recognised in the statement of profit and loss	917	643	1,560

3. Derivatives and hedge accounting

3.1 Hedge accounting

The Group uses interest rate swaps to manage its exposure to fluctuations in interest rates and not for speculative purposes.

When transactions meet the criteria of the applicable standard:

- the Group applies the requirements of IFRS 9 when hedge accounting for variability in cash flows of a financial asset or liability (cash flow hedge accounting)
- the Group applies the requirements of IAS 39 for its fair value hedge of interest rate risk of a portfolio of financial assets or liabilities (macro fair value hedge accounting)

The financial statement note for derivative financial instruments separates the derivative portfolio between the two types of hedges in place at the balance sheet date.

At the inception of each hedge relationship, formal hedge documentation is prepared, describing:

- the hedged item, a financial asset or liability which is being economically hedged;
- the hedging instrument, a derivative financial instrument with economic characteristics that appropriately mitigate the risk being hedged; and
- the methods that will be used to determine the effectiveness of the designated hedge relationship.

IAS 39 and IFRS 9 both require that an effectiveness criterion be met for an entity to qualify for hedge accounting. Both accounting standards also require that hedge effectiveness be assessed prospectively at inception and retrospectively at each reporting date. Hedge effectiveness is the degree to which changes in the fair value of the hedged item and hedging instrument offset. IAS 39 specifies that the offset ratio be within the range 80% - 125% for its highly effective requirement to be met. IFRS 9 does not require a specific offset ratio to meet hedge accounting requirements, but instead requires that there is an economic relationship between the hedged item and hedging instrument.

Fair value and cash flow hedges may have residual ineffectiveness. Ineffectiveness is the extent to which changes in the fair value of the hedging instrument fail to offset changes in the fair value of the hedged item. Ineffectiveness is recognised in the income statement as it occurs. Sources of ineffectiveness include:

- differences in the size and timing of future expected cash flow of the hedging instruments and hedged item;
- differences in the curves used to value the hedging instrument and hedged item;
- unexpected changes to the hedged item; or
- the designation of off-market derivatives.

The Group discontinues hedged accounting when:

- the hedge relationship matures;
- effectiveness testing indicates that a designated hedge relationship ceases to meet the effectiveness requirements;
- the hedging instrument is derecognised upon a sale, transfer or termination; or
- the hedged item is derecognised upon sale or transfer.

3.1.1 Fair value hedge accounting

Fair value hedge accounting results in the carrying value of the hedged item being adjusted to reflect changes in fair value attributable to the risk being hedged, creating an offset to the change in the fair value of the hedging instrument. The fair value movement of both the hedged item and hedging instruments is reported in the income statement.

The Group designates a portfolio of financial assets with similar interest rate risk exposure in a portfolio (macro) hedge. The risk item is sorted into repricing time buckets based on expected repricing periods and hedged accordingly using interest rate swaps with matching tenors. The fair value movements are measured using a LIBOR benchmark. For portfolio hedges that are highly effective, the Group records a fair value adjustment as a separate line item on the balance sheet. The portfolio hedges are rebalanced regularly to include newly originated financial assets.

If portfolio hedge accounting no longer meets the criteria for hedge accounting, the cumulative fair value hedge adjustment is amortised over the period to maturity of the previously designated hedge relationship. If the hedged item is sold or repaid, the unamortised fair value adjustment is immediately recognised in the income statement.

3.1.2 Cash flow hedge accounting

Cash flow hedge accounting allows for the portion of the change in the fair value of the hedging instrument that is deemed to be effective to be deferred to the cash flow hedge reserve instead of being immediately recognised in the income statement. The ineffective portion of the hedging instrument fair value movement is immediately recognised in the income statement.

The fair value movement deferred in the cash flow hedge reserve is subsequently 'recycled' to the income statement in the period when the underlying hedged risk item impacts the income statement. If the cash flow hedge relationship ceases to meet the effectiveness criterion required for hedge accounting and the hedged cash flows are still expected to occur, the deferred derivative fair value movement is held in other comprehensive income until the underlying hedged item is recognised in the income statement. If the hedged item is sold or repaid, the cumulative gain or loss in other comprehensive income is immediately recognised in the income statement.

3.2 Gains/Losses from derivatives and hedge accounting

As part of its risk management strategy the Group uses derivatives to economically hedge the interest rate exposure of financial assets and liabilities. The Group applies hedge accounting to minimise the income statement volatility resulting from changes in the fair value of derivative financial instruments that will ordinarily be fair valued through profit or loss. Such volatility does not reflect the economic reality of the Group's hedging activities; however, volatility can arise from hedge accounting ineffectiveness, hedge accounting not being applied or not being achievable at the present time.

Note 3.1 discusses the effect of fair value and cash flow hedge accounting on the Group's financial statements, including accounting treatment of hedge accounting ineffectiveness.

Losses from derivatives hedge accounting	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
(Losses) from fair value hedge accounting ¹	(225)	-
(Losses) from cash flow hedge accounting	-	-
Fair value gains from other derivatives ²	(1,807)	(2,772)
Total	(2,032)	(2,772)

¹All fair value hedges in place are portfolio hedges of interest rate risk exposure on originated financial assets.

²Other derivatives are those used for economic hedging purposes, but which are not currently in a hedge accounting relationship. This category also includes the fair value losses of hedging instruments prior to designation to a hedge accounting relationship.

3.3 Fair value hedge accounting

The Group manages interest rate risk using interest rate swaps that exchange fixed cash flows for floating cash flows indexed to market LIBOR rates. These derivative instruments are designated in a fair value hedge of the interest rate exposure of a portfolio of financial assets. The table below provides information on the Group's fair value hedges.

Hedged item balance sheet	Hedging Instrument	Risk Category	Hedged Item ¹ £'000	Instrument ¹ £'000	Ineffectiveness £'000
Loans to customers	Interest rate swaps	Interest rate: LIBOR	3,421	(3,646)	(225)

¹Change in fair value used in determining hedge ineffectiveness.

3.4 Cash flow hedge accounting

The Group manages interest rate risk associated with cash flows using interest rate swaps with floating legs benchmarked to Sonia. The cash flows hedged are fully indexed Sonia interest payments due on issued debt securities. The hedging instrument effectively fixes the interest payments on the issued debt securities.

Hedged item balance sheet classification	Hedging Instrument	Risk Category	Hedged Item ¹ £'000	Instrument ¹ £'000	Hedge ineffectiveness recognised in income statement ² £'000	Net amounts deferred to other comprehensive income £'000
Interest bearing liabilities	Interest rate swaps	Interest rate: Sonia	4,669	(4,669)	-	(4,669)

¹Change in fair value used in determining hedge ineffectiveness.

²Change in instrument fair value reported in income statement due to hedge ineffectiveness.

3.5 Derivatives by instrument and hedge type

All the Group's derivative financial instruments are used to manage economic risk, although not all the derivatives are subject to hedge accounting. The table below provides an analysis of the notional amount and fair value of derivatives by both hedge accounting type and instrument type. Notional amount is the amount on which payment flows are derived and does not represent amounts at risk.

	As at 31 March 2020			As at 31 March 2019		
	Notional Amount £'000	Fair value – Assets £'000	Fair value – Liabilities £'000	Notional Amount £'000	Fair value – Assets £'000	Fair value – Liabilities £'000
Macro fair value hedge:						
LIBOR indexed interest rate swaps	16,700	-	(116)	-	-	-
Cash flow hedge:						
Sonia indexed interest rate swaps	542,633	-	(12,590)	-	-	-
Not subject to hedge accounting:						
LIBOR indexed interest rate swaps	42,300	-	(287)	204,000	-	(2,871)
Total	601,633	-	(12,993)	204,000	-	(2,871)

A proportion of recognised fair value liabilities were transitioned between fair value and cash flow hedges, upon modification and transfer of swaps originally designated in a fair value hedge.

3.6 Contractual maturity of hedging instruments notional amounts

As at 31 March 2020	Less than one year	Between one and five years	Total
Macro fair value hedge:	£'000	£'000	£'000
LIBOR indexed interest rate swaps	-	16,700	16,700
Cash flow hedge:			
Sonia indexed interest rate swaps	46,625	496,008	542,633
Not subject to hedge accounting:			
LIBOR indexed interest rate swaps	-	42,300	6,633
Total	46,625	555,008	601,633

As at 31 March 2019	Less than one year	Between one and five years	Total
Macro fair value hedge:	£'000	£'000	£'000
LIBOR indexed interest rate swaps	-	-	-
Cash flow hedge:			
Sonia indexed interest rate swaps	-	-	-
Not subject to hedge accounting:			
LIBOR indexed interest rate swaps	2,000	202,000	204,000
Total	2,000	202,000	204,000

4. Financial risk management

General objectives, policies and processes

The board of directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and ensure any limits are adhered to. The Group's activities are reviewed regularly, and potential risks are considered. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the business's competitiveness and flexibility.

Risk factors

The Group has exposure to the following risks from its use of financial instruments: credit risk, liquidity risk, market risk (including collateral quality risk, interest rate risk and other price risk).

Further details regarding these policies are set out below:

(i) Credit risk management

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers and cash and cash equivalents held at banks. The Group's maximum exposure to credit risk by class of financial asset is as follows:

	31 March 2020	31 March 2019
Assets	£'000	£'000
Loans and advances	786,348	388,159
Trade and other receivables	4,390	3,422
Cash and cash equivalents	91,609	40,081
	882,347	431,662

The Group manages its exposure to credit losses by assessing borrowers' affordability of loan repayments, risk profile, and stability during the underwriting process. Impairments are monitored and provided for under IFRS 9. The credit policy is designed to ensure that the credit process is efficient for the applicant while providing the Group with the necessary details to make an informed credit decision.

Other receivables principally comprise of amounts due from related companies. The recoverability of these amounts is reviewed on an ongoing basis.

NOTES TO THE FINANCIAL STATEMENTS (continued)

The fair value of cash and cash equivalents at 31 March 2020 and 31 March 2019 approximates the carrying value. Further details regarding cash and cash equivalents can be found in note 19. Credit risk relating to cash and cash equivalents is mitigated as cash and cash equivalents are held with reputable institutions.

The risk of movements in the price of the underlying collateral secured by the Group against loans to borrowers is actively managed by the Group. Security over loan collateral is registered with the Land Registry, and only properties within England, Wales and Scotland are suitable for security. Loans are capped at 80% of the open market value of the property against which security is held, and minimum loan period interest is retained on completion. There is elevated risk of collateral price movements given the volatility caused by the Covid-19 pandemic and the Group continues to monitor this closely and will take proactive action to protect its position, where required.

(ii) Liquidity risk management

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's position. The Group's liquidity position is monitored and reviewed on an ongoing basis by the Board and the Assets and Liabilities Committee. A key component of liquidity risk is the Group's funding for the purpose of its long term Buy-To-Let lending. Once the facility is utilised or the term is reached, the Buy-To-Let portfolio will be refinanced via securitisation.

The tables below analyse the Group's contractual undiscounted cash flows of its financial assets and liabilities:

As at 31 March 2020	Carrying amount	Gross nominal inflow/ (outflow)	Amount due within one year	Amount due between one and five years	Amount due after five years
Financial assets	£'000	£'000	£'000	£'000	£'000
Cash and cash equivalents	91,609	91,609	91,609	-	-
Trade and other receivables	4,390	4,390	3,155	1,235	-
Loans and advances	786,348	1,197,535	211,009	98,043	888,483
	882,347	1,293,534	305,773	99,278	888,483
Financial liabilities					
Trade and other payables	32,273	32,273	32,273	-	-
Interest bearing liabilities	846,164	916,862	45,894	870,968	-
Derivative financial liability	12,993	12,993	5,380	7,613	-
Lease liability	5,717	5,717	785	4,932	-
	897,147	967,845	84,332	883,513	-

NOTES TO THE FINANCIAL STATEMENTS (continued)

Loans and advances greater than five years are largely funded through the Group's two securitisation vehicles. These have a final maturity of June 2051 and June 2052, in line with the corresponding loan maturities. It is the Group's expectation to exercise the option to repurchase these assets and to re-securitise them at a reduced rate by September 2022 and June 2023 respectively. As a result, they have been disclosed in the table above with a maturity in line with these dates.

As at 31 March 2019	Carrying amount	Gross nominal inflow/ (outflow)	Amount due within one year	Amount due post one year	Amount due after five years
	£'000	£'000	£'000	£'000	£'000
Financial assets					
Cash and cash equivalents	40,081	40,081	40,081	-	-
Trade and other receivables	3,422	3,422	3,422	-	-
Loans and advances	388,159	543,200	153,570	66,085	323,545
	431,662	586,703	197,073	66,085	323,545
Financial liabilities					
Trade and other payables	30,042	30,042	30,042	-	-
Interest bearing liabilities	388,147	425,817	24,211	401,606	-
Derivative financial liability	2,871	2,871	703	2,168	-
	421,060	458,730	54,956	403,774	-

(iii) Interest rate risk management

Interest rate risk arises on fixed-rate Buy-To-Let fixed loans where the funding of these loans is variable based on 3 month LIBOR or 3 month SONIA. The risk is managed on a continuous basis through the use of interest rate swaps.

The Group monitors exposure to repricing risk through an interest rate gap report and matches the repricing characteristics of its assets with its liabilities naturally where it can. The Group uses derivatives to manage any risk above tolerable levels. Derivatives are only used for economic hedging purposes and not as speculative investments.

See note 3 and 27 for further details on the derivatives held by the Group.

(iv) Interest rate sensitivity

The sensitivity analysis below has been determined based on the exposure to interest rates as at the reporting date. A 100 basis point change represents the board's assessment of a reasonable change in interest rates.

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at the reporting date, if interest rates increased by 100 basis points and all other variables were held constant:

- Profit before tax for the 12 month period would remain materially consistent with the current reported numbers. The Group is largely exposed to variable interest rates through its BTL funding sources but these are hedged using interest rates swaps. (2019: reduce by £0.2m). Although the Group's interest rates on loans to borrowers is operated as a fixed rate for a fixed period, the Group has the legal right to vary the borrower interest rate if certain changes in interest rates occur. Implementing this provision would reduce the impact of an interest rate increase for any unhedged portion of funding. However, this sensitivity analysis assumes that the Group has not implemented this provision
- Equity reserves as at 31 March 2020 would increase by £16.8m (2019: reduce by £0.2m). This increase is as a result of improvements in the mark to market of the interest rate swaps on the Buy-To-Let portfolio, which are assumed to be hedged so not affecting the income statement, offset by the deferred tax impact. No change has been assumed in the fair value of the loan portfolio given the significant dislocation in securitisation rates at year-end which have reduced by more than 100 basis points since year-end, see note 27 for further details

UK interest rates are at historic lows of 10 bps. A reduction of 100 bps would result in negative interest rates. This has been applied below given indications from the Bank of England that this is being considered. It is noted below the impact, as at the reporting date, if interest rates reduced by 100 basis points to nil and all other variables were held constant:

- Profit before tax for the 12 month period to 31 March 2020 would remain materially consistent with the current reported numbers. As noted above, the Group is largely exposed to variable interest rate through the funding for its BTL portfolio and these costs are hedged using an interest rate swap
- Equity reserves as at 31 March 2020 would decrease by £1.7m (2019: increase by £0.15m). This reflects the net movement between the increased loss on interest rates swaps on the Buy-To-Let portfolio, offset by the increase in the fair value of the loan portfolio, both of which have been subject to deferred tax

(v) Capital management

The Group considers its capital to comprise of its share capital, share premium, retained earnings and the employee share reserve. The Group's objectives when maintaining capital are:

- to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group sets the amount of capital it requires in proportion to risk. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Group uses external debt to fund its principal activity and sets the amount of debt that it requires in proportion to risk and lending requirements.

5. Segmental analysis

The Group's operations are carried out solely in the UK with two main lending products: short-term lending and Buy-To-Let mortgages. The results and net assets of the Group are derived from the provision of property related loans only.

Within the Group, the Chief Operating Decision Maker is determined to be the Executive Committee and it uses revenue, interest expense and loans and advances to manage and make decisions on the reportable operating segments.

The following summary describes the operations of the two reportable segments:

Short term lending

Provides finance for borrowers who need to quickly secure property, generate cash flow or fund works through the Group's bridging products, and provides property developers with funding to start or exit a project through development products. The term of these loans is generally up to 24 months.

Buy-To-Let lending

Provides finance for professional portfolio landlords looking to purchase or remortgage Buy-To-Let investment properties in England, Wales and Scotland. The mortgages are available to both individual and corporate borrowers, and funds are lent against standard properties as well as houses in multiple occupation and multi-unit freehold blocks. The term of these loans is up to 30 years.

Please see below for a segmental analysis of the profit and loss and statement of financial position balances;

Year Ended 31 March 2020	Short term lending	Buy-To-Let lending	Total
Statement of profit and loss information	£'000	£'000	£'000
Revenue	48,414	17,063	65,477
Cost of sales	(18,117)	(17,109)	(35,226)
Gross profit	30,297	(46)	30,251

Year Ended 31 March 2019	Short term lending	Buy-To-Let lending	Total
Statement of profit and loss information	£'000	£'000	£'000
Revenue	42,520	4,305	46,825
Cost of sales	(14,629)	(5,740)	(20,369)
Gross profit	27,891	(1,435)	26,456

NOTES TO THE FINANCIAL STATEMENTS (continued)

All other lines in the statement of profit and loss would have been disclosed within a central segment as they are not allocated to either of the above segments. This central segment has not been disclosed.

As at 31 March 2020	Short term lending	Buy-To-Let lending	Total
Statement of financial position information	£'000	£'000	£'000
Loans and advances	193,242	593,106	786,348

As at 31 March 2019	Short term lending	Buy-To-Let lending	Total
Statement of financial position information	£'000	£'000	£'000
Loans and advances	170,254	217,905	388,159

All other lines in the statement of financial position would have been disclosed within a central segment as they are not allocated to either of the above segments. This central segment has not been disclosed.

6. Revenue

	Year Ended 31 March 2020	Year Ended 31 March 2019
	£'000	£'000
Interest on loans and advances	44,876	30,536
Origination fees	13,059	10,207
Advisory fees	7,542	6,082
	65,477	46,825

7. Cost of sales

	Year Ended 31 March 2020	Year Ended 31 March 2019
	£'000	£'000
Interest expense	(24,756)	(14,566)
Funding line costs	(3,662)	(3,625)
Origination fees	(5,600)	(1,363)
Advisory fees	(1,205)	(815)
Liquidity facility commitment fee	(3)	-
	(35,226)	(20,369)

8. Profit from operations

Profit from operations has been stated after charging:

	Year Ended 31 March 2020	Year Ended 31 March 2019
	£'000	£'000
Wages and salaries	14,194	10,734
Depreciation and amortisation	1,393	716
Depreciation of right of use asset	917	-
Interest expense of right of use asset	643	-
Fees payable to the auditors for the audit of the financial statements	336	250
Audit related assurance services	68	50
Fees payable to the auditors for other assurance services	385	461
Share based payment charge	460	259
Operating lease expense	-	1,140
Research & Development	1,500	500

Other administrative expenses are incurred in the ordinary course of the business and do not require further disclosure under IAS 1.

9. Employee benefit expense

Employee benefit expense (including directors) comprises:

The Group and Company

	Year Ended 31 March 2020	Year Ended 31 March 2019
	£'000	£'000
Wages and salaries	14,194	10,734
Defined contribution pension cost	434	281
Share based payment charge	460	259
Social security contributions and similar taxes	1,639	1,262
	16,727	12,536

During the year, share options and ordinary shares were issued to employees of the Company.

10. Number of employees

The average monthly number of employees during the year was:

The Group and Company

	Year Ended 31 March 2020	Year Ended 31 March 2019
	Number	Number
Technology and product	53	39
Operations and administration	116	80
Sales and marketing	41	36
	210	155

Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. Key management is defined as the directors of the company listed on page 3.

	Year Ended 31 March 2020	Year Ended 31 March 2019
	£'000	£'000
Salary	585	337
Short-term non-monetary benefits	3	3
Defined contribution pension cost	9	5
	597	345

Four of the directors were employed and remunerated by the Company during the year. Two other directors received no remuneration for services to the Company during the year.

11. Interest income

Aside from bank deposits, the Group does not have sources of income considered to be outside the main revenue generating activities, and therefore has no other operating income.

	Year Ended 31 March 2020	Year Ended 31 March 2019
	£'000	£'000
Interest on bank deposits	77	34
	77	34

12. Finance expense

	Year Ended 31 March 2020	Year Ended 31 March 2019
	£'000	£'000
Fair value gain/(loss) from derivatives and hedge accounting	(2,032)	(2,772)
Fair value movements on undrawn committed loan facility through P&L ¹	281	-
	(1,751)	(2,772)

¹Fair value movements through profit and loss arise as a result of one loan within the lending portfolio being subject to a committed facility. The undrawn committed facility and amount subject to fair value through profit and loss as at 31 March 2020 is £27.7m.

13. Taxation on (loss)/profit on ordinary activities

	Year Ended 31 March 2020	Year Ended 31 March 2019
	£'000	£'000
Tax expense		
Current tax:		
Current tax on loss for the year	-	110
Adjustments in respect of prior periods	(110)	(104)
Foreign taxes	2	-
Total current tax charge/(credit)	(108)	6
Deferred tax:		
Origination and reversal of temporary differences	(675)	(91)
Adjustments in respect of prior periods	(237)	12
Total deferred tax charge/(credit)	(912)	(79)
Total tax charge/(credit)	(1,020)	(73)
The tax charge on the profit for the year is different to the notional tax charge calculated at the UK corporation tax rate of 19%. The differences are explained below:		
(Loss)/profit before tax	(3,228)	543
(Loss)/profit before tax multiplied by the standard rate of corporation tax of 19%	(613)	103
Tax effects of:		
Non- deductible expenses	429	40
Foreign taxes	2	-
Research and development tax credit	(491)	(124)
Over provision of current tax	(110)	(104)
Over provision of deferred tax	(237)	12
Total tax charge/(credit)	(1,020)	(73)

Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 16 March 2016. In March 2020, it was announced in Budget 2020 that the main rate of UK corporation tax will remain at 19%, rather than reducing to 17% from 1 April 2020.

Deferred taxation

Deferred tax is presented in the statement of financial position as follows:

The Group

	The Group		The Company	
	Year Ended 31 March 2020	Year Ended 31 March 2019	Year Ended 31 March 2020	Year Ended 31 March 2019
	£'000	£'000	£'000	£'000
Deferred tax assets	3,383	243	283	86
Deferred tax liabilities	(373)	(255)	(118)	(126)
Net deferred tax assets / (liabilities)	3,010	(12)	165	(40)

NOTES TO THE FINANCIAL STATEMENTS (continued)

The movements during the year are analysed as follows:

	The Group		The Company	
	Year Ended 31 March 2020	Year Ended 31 March 2019	Year Ended 31 March 2020	Year Ended 31 March 2019
	£'000	£'000	£'000	£'000
Net deferred tax assets (liabilities) at the beginning of the year	(12)	(120)	(40)	(121)
Opening transition adjustment	129	55	129	-
Credit/(charge) to the statement of profit and loss for the year	675	74	111	92
Credit/(charge) to other comprehensive income	1,981	(10)	(4)	-
Over provision of deferred tax	237	(11)	(31)	(11)
Net deferred tax assets / (liabilities) at the end of the year	3,010	(12)	165	(40)

Category of deferred tax

The Group

	Opening Balance	Opening Balance Adjustment	Credit/ (Charge) to the statement of profit and loss – CY	Credit/ (Charge) through OCI – CY	Credit/ (Charge) to the statement of profit and loss – PY	Closing Balance
	£'000	£'000	£'000		£'000	£'000
2020						
Property, plant and equipment	(126)	-	43	-	(31)	(114)
Share and share option schemes	86	-	87	-	-	173
IFRS 16 transitional adjustment	-	129	(19)	-	-	110
Fair value on loans & advances	(129)	-	-	1,353	-	1,224
Fair Value on interest bearing liabilities	-	-	-	(259)	-	(259)
Cash flow hedge adjustment	-	-	-	887	-	887
IFRS 9 ECL Provision	157	-	(17)	-	-	140
Losses	-	-	581	-	268	849
	(12)	129	675	1,981	237	3,010

The deferred tax asset in respect of tax losses carried forward at 31 March 2020 is recognised on the basis that current profit projections predict it will be utilised by the year ending 31 March 2023.

NOTES TO THE FINANCIAL STATEMENTS (continued)

	Opening Balance	Opening Balance Adjustment	Credit/ (Charge) to the statement of profit and loss - CY	Credit/ (Charge) through OCI - CY	Credit/ (Charge) to the statement of profit and loss - PY	Closing Balance
	£'000	£'000	£'000		£'000	£'000
2019						
Property, plant and equipment	(144)	-	41	-	(23)	(126)
Share and share option schemes	24	-	50	-	12	86
Fair value on loans & advances	-	(119)	-	(10)	-	(129)
IFRS 9 ECL Provision	-	174	(17)	-	-	157
	(120)	55	74	(10)	(11)	(12)

The Company

	Opening Balance	Opening Balance Adjustment	Credit/ (Charge) to the statement of profit and loss – CY	Credit/ (Charge) through OCI - CY	Credit/ (Charge) to the statement of profit and loss - PY	Closing Balance
	£'000	£'000	£'000		£'000	£'000
2020						
Property, plant and equipment	(126)	-	43	-	(31)	(114)
Share and share option schemes	86	-	87	-	-	173
IFRS 16 transitional adjustment	-	129	(19)	-	-	110
Fair value on loans & advances	-	-	-	(4)	-	(4)
	(40)	129	111	(4)	(31)	165
2019						
Property, plant and equipment	(144)	-	41	-	(23)	(126)
Share and share option schemes	24	-	50	-	12	86
	(120)	-	91	-	(11)	(40)

At 31 March 2020, the Company had no unrecognised deferred taxation assets (2019: £nil).

14. Dividends

The Company paid no dividends during the year (2019: £nil).

15. Property, plant and equipment

The Group and Company

	Computer equipment	Furniture and fittings	Leasehold improvements	Right of use asset	Total
Cost	£'000	£'000	£'000	£'000	£'000
Balance as at 31 March 2018	376	263	808	-	1,447
Additions	130	42	32	-	204
Transfer of assets	-	-	-	-	-
Disposals	-	-	-	-	-
Balance as at 31 March 2019	506	305	840	-	1,651
Implementation of IFRS 16	-	-	-	6,048	6,048
Additions	58	122	10	-	190
Transfer of assets	-	-	(554)	-	(554)
Disposals	-	-	-	-	-
Balance as at 31 March 2020	564	427	296	6,048	7,335

	Computer equipment	Furniture and fittings	Leasehold improvements	Right of use asset	Total
Accumulated depreciation and impairment	£'000	£'000	£'000	£'000	£'000
Balance as at 31 March 2018	194	133	182	-	509
Charge for the year	124	57	81	-	262
Disposals	-	-	-	-	-
Transfer of assets	-	-	-	-	-
Balance as at 31 March 2019	318	190	263	-	771
Charge for the year	110	76	29	917	1,132
Disposals	-	-	-	-	-
Transfer of assets	-	-	(183)	-	(183)
Balance as at 31 March 2020	428	266	109	917	1,720

Net carrying value as at 31 March 2020	136	161	187	5,131	5,615
Net carrying value as at 31 March 2019	188	115	577	-	880

Adoption of IFRS 16 on 1 April 2019 resulted in the recognition of a right-of-use asset. A new asset category was created to present this asset. See Note 2.3 for details.

Lease commitment

Future minimum payments under non-cancellable leases

	Year Ended 31 March 2020	Year Ended 31 March 2019
	£'000	£'000
Premises		
Due within a year	1,282	1,282
Due between 1 - 5 years	5,126	5,126
Due later than 5 years	719	2,001
	7,127	8,409

The Group and the Company have a dilapidation requirement to return the leased office to the specification as per the lease agreement. The total dilapidation is expected to be £9.54 per square foot. The Group and the Company have no significant contingent liabilities at year end.

16. Intangibles

The Group

During the year ended 31 March 2020, the Group assessed the requirements of IAS 38 and identified that it had incurred expenditure on intangible assets that met the criteria for capitalisation.

NOTES TO THE FINANCIAL STATEMENTS (continued)

	Software licences	Internally developed Software	Total
	£'000	£'000	£'000
Cost			
Balance as at 31 March 2018	54	838	892
Additions	421	2,241	2,662
Transfer of assets from prepayments	245	-	245
Balance as at 31 March 2019	720	3,079	3,799
Additions	10	3,346	3,356
Transfer of assets	-	-	-
Balance as at 31 March 2020	730	6,425	7,155

	Software licences	Internally developed software	Total
	£'000	£'000	£'000
Accumulated amortisation and impairment			
Balance as at 31 March 2018	53	87	140
Charge for the year	125	329	454
Transfer of assets	26	-	26
Balance as at 31 March 2019	204	416	620
Charge for the year	142	1,036	1,178
Transfer of assets	-	-	-
Balance as at 31 March 2020	346	1,452	1,798

Net carrying value as at 31 March 2020	384	4,973	5,357
Net carrying value as at 31 March 2019	516	2,663	3,179

Internally developed software development has been capitalised as an intangible asset and is being amortised over 3 years. Significant projects include development of the Loan Engine, website lead generation and an automated borrower/broker portal for loan applications. Intangible assets are reviewed for indicators of impairment annually.

The Company

	Software licences	Internally developed software	Total
	£'000	£'000	£'000
Cost			
Balance as at 31 March 2018	54	838	892
Additions	316	2,241	2,557
Balance as at 31 March 2019	370	3,079	3,449
Additions	10	3,346	3,356
Balance as at 31 March 2020	380	6,425	6,805

	Software licences	Internally developed software	Total
	£'000	£'000	£'000
Accumulated amortisation and impairment			
Balance as at 31 March 2018	53	87	140
Charge for the year	1	329	330
Balance as at 31 March 2019	54	416	470
Charge for the year	3	1,036	1,039
Balance as at 31 March 2020	57	1,452	1,509
Net carrying value as at 31 March 2020	323	4,973	5,296
Net carrying value as at 31 March 2019	316	2,663	2,979

17. Investment in subsidiaries

The Company

	Year Ended 31 March 2020	Year Ended 31 March 2019
	£'000	£'000
As at 1 April	14	14
Additions	-	-
Disposals	-	-
As at 31 March	14	14

NOTES TO THE FINANCIAL STATEMENTS (continued)

The Company owned either directly or indirectly, 100% of the share capital of the following subsidiaries as at 31 March 2020:

Entity Name	Principal Activities	Direct Holding
LendInvest Loan Holdings Limited	Intermediary holding company	Company
LendInvest Capital Management Limited	Intermediary holding company	Company
LendInvest Capital Advisors Limited	Dormant	LendInvest Capital Management Limited
LendInvest Finance No. 2 Limited	Provides secured lending to third party borrowers	LendInvest Capital Management Limited
LendInvest Finance No. 4 Limited	Provides secured lending to third party borrowers	LendInvest Loan Holdings Limited
LendInvest Funds Management Limited	Fund management company	Company
LendInvest Private Finance General Partners Limited	General Partner to LendInvest Income Limited Partnership	Company
LendInvest Development Limited	Provides secured lending to third party borrowers	LendInvest Loan Holdings Limited
LendInvest Warehouse Limited	Intermediate holding company and secured lending to third party borrowers	Company
LendInvest Finance No. 3 Limited	Provided secured lending to third party borrowers. Now dormant	LendInvest Loan Holding Limited
LendInvest Security Trustees Limited	Holds securities	Company
LendInvest Finance No. 5 Limited	Provides secured lending to third party borrowers	LendInvest Loan Holdings Limited
LendInvest Finance No. 6 Limited	Provides working capital to the Company	LendInvest Loan Holdings Limited
LendInvest Secured Income Plc	Provides secured lending to third party borrowers	LendInvest Loan Holdings Limited
LendInvest BTL Limited	Provides secured lending to third party borrowers	LendInvest Loan Holdings Limited
LendInvest Platform Limited	Provides secured lending to third party borrowers	LendInvest Loan Holdings Limited

NOTES TO THE FINANCIAL STATEMENTS (continued)

Entity Name	Principal Activities	Direct Holding
LendInvest Bridge Limited	Provides secured lending to third party borrowers	LendInvest Loan Holdings Limited
LendInvest Loans Limited	Provides secured lending to third party borrowers	LendInvest Loan Holdings Limited
LendInvest IP Limited	Dormant	Company
LendInvest Loan Services Limited	Dormant	Company
LendInvest Contractor Limited	Dormant	Company

The registered address of all subsidiaries is Two Fitzroy Place, 8 Mortimer Street, London W1T 3JJ.

The Group consolidated the results of LendInvest Income Partnership Limited whose registered address is Two Fitzroy Place, 8 Mortimer Street, London W1T 3JJ, as the directors consider that the Group exercises control over this entity. The partnership was formally dissolved during the year to 31 March 2020.

18. Trade and other receivables

The Group

	Year Ended 31 March 2020	Year Ended 31 March 2019
	£'000	£'000
Due within one year		
Trade receivables	1,941	1,405
Other receivables:		
• Prepayments and accrued income	8,069	5,124
• Corporate tax receivable	79	62
• Other receivables	1,214	2,017
Due after one year		
Rent deposit	1,235	1,235
	12,538	9,843

The Company

	Year Ended 31 March 2020	Year Ended 31 March 2019
	£'000	£'000
Due within one year		
Trade receivables	27,813	22,633
Other receivables:		
• Prepayments and accrued income	1,752	1,610
• Other receivables	90	1,162
Due after one year		
Rent deposit	1,235	1,235
	30,890	26,640

The carrying value of trade and other receivables approximates fair value and represents the maximum exposure to credit losses. Expected credit losses on trade receivables are immaterial.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. During the current year (and prior period) the Company had no trade receivables that are past due, but not impaired.

19. Cash at bank in hand**The Group**

	Year Ended 31 March 2020	Year Ended 31 March 2019
	£'000	£'000
Cash and cash equivalents	81,983	33,322
Trustees' account	9,626	6,759
	91,609	40,081

The Company

	Year Ended 31 March 2020	Year Ended 31 March 2019
	£'000	£'000
Cash and cash equivalents	19,985	12,962
Trustees' account	9,626	6,759
	29,611	19,721

Operationally, the Company does not treat the Trustees' balances as available funds. An equal and opposite payable amount is included within the trade payables balance (see note 21).

20. Loans and advances**The Group**

	Year Ended 31 March 2020	Year Ended 31 March 2019
	£'000	£'000
Gross loans and advances	798,491	391,790
ECL provision	(5,985)	(4,309)
Fair value adjustment ¹	(6,158)	678
Loans and advances	786,348	388,159

¹Fair value adjustment to gross loans and advances due to classification as FVOCI, based on the Group's business model for managing these financial assets. This has largely arisen as the interest rates on the Buy-To-Let loans in the Group are less expensive than the market at 31 March 2020.

NOTES TO THE FINANCIAL STATEMENTS (continued)

ECL provision

Movement in the period	£'000
Under IFRS 9 at 1 April 2019	(4,309)
Additional provisions made during the period ¹	(5,121)
Utilised in the period ²	3,445
Under IFRS 9 at 31 March 2020	(5,985)

¹The ECL provision of £6.0m is stated including the expected credit losses incurred on the interest income recognised on stage 3 loans and advances. The net ECL impact on the income statement for the year is £5.1m. This includes the £4.3m of bad debt expense shown in the income statement and the total impact of expected credit losses on income recognised on stage 3 loans and advances using the effective interest rate of £0.8m.

²Loans that are written off can still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due. The contractual amount outstanding on loans and advances that have previously been written off and are still subject to enforcement activity is £10.9m (2019: £5.2m).

Analysis of loans and advances by stage

	Stage 1	Stage 2	Stage 3	POCI	Total
	£'000	£'000	£'000	£'000	£'000
Gross loans and advances	613,960	148,917	35,184	430	798,491
ECL provision	(294)	(1,216)	(4,468)	(7)	(5,985)
Fair value adjustment	(6,038)	(352)	206	26	(6,158)
Loans and advances	607,628	147,349	30,922	449	786,348

The maximum LTV on stage 1 loans is 81%. The maximum LTV on stage 2 loans is 94%. The maximum LTV on Stage 3 loans is 137% and the total value of collateral held on stage 3 loans is £48.1m.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Impairment provisions are calculated on an expected credit loss (ECL) basis. Financial assets are classified individually into one of the categories below:

- Stage 1 – assets are allocated to this stage on initial recognition and remain in this stage if there is no significant increase in credit risk since initial recognition. Impairment provisions are recognised to cover 12 month ECL, being the proportion of lifetime ECL arising from default events expected within 12 months of the reporting date
- Stage 2 – assets where it is determined that there has been a significant increase in credit risk since initial recognition, but where there is no objective evidence of impairment. Impairment provisions are recognised to cover lifetime
- Stage 3 – assets where there is objective evidence of impairment, i.e. they are considered to be in default. Impairment provisions are recognised against lifetime ECL. For assets allocated to Stage 3, interest income is recognised on the balance net of impairment provision
- Purchased or originated credit impaired (“POCI”) – POCI assets are financial assets that are credit impaired on initial recognition. On initial recognition they are recorded at fair value. ECLs are only recognised or released to the extent that there is a subsequent change in the ECLs. Their ECL is always measured on a lifetime basis

If a loss is ultimately realised, it is written off against the provision previously provided for with any excess charged to the impairment provision in the statement of profit and loss.

The impairment loss provisions under IFRS 9 is calculated using macroeconomic variables, in particular UK house price inflation and unemployment, and the probability weightings of the macroeconomic scenarios used. The Group has used three macroeconomic scenarios, which are considered to represent a range of possible outcomes over a normal economic cycle, in determining impairment loss provisions:

- a central scenario aligned to the Group’s business plan;
- a downside scenario as modelled in the Group’s risk management process; and
- an upside scenario representing the impact of modest improvements to assumptions used in the central scenario.

The central scenario represents management’s current view of the most likely economic outturn. During the year, the following weightings of the different scenarios were used:

- BTL ECL model – 40% / 40% / 20% to the central, downside and upside scenarios
- Short Term Lending ECL models – 40% / 50% / 10% to the central, downside and upside scenarios

A further downside has been applied to the short-term lending models compared to the BTL model due to the ongoing Covid-19 pandemic and the Group’s expectation of a reduction of property values over the medium term of 12-15 months from the reporting date. This is expected to have a much greater impact on the short-term lending book.

Changes to macroeconomic assumptions, as expectations change over time, are expected to lead to volatility in impairment loss provisions and may lead to pro-cyclicality in the recognition of impairment provisions.

NOTES TO THE FINANCIAL STATEMENTS (continued)

The underlying methodology on which the ECL model is based has not changed from the financial statements dated 31 March 2019. The macroeconomic data inputs have been updated as at 31 March 2020. The scenario weightings applied as at 31 March 2020 have been weighted further to a downside scenario as detailed above. The weightings used for the financial statements dated 31 March 2019 were 40% / 30% / 30% to the central, downside and upside scenarios for both Short Term Lending and BTL.

Movement analysis of loans by stage

	Stage 1	Stage 2	Stage 3	POCI	Total
	£'000	£'000	£'000	£'000	£'000
As at 1 April 2019	276,292	101,746	10,121	-	388,159
Transfer to stage 1	43,596	(43,596)	-	-	-
Transfer to stage 2	(51,185)	51,689	(504)	-	-
Transfer to stage 3	(11,622)	(9,764)	21,386	-	-
New financial assets originated	510,711	-	-	544	511,255
New financial assets originated and transferred to Stage 2 or Stage 3	(91,181)	90,951	230	-	-
Financial assets which have repaid	(46,093)	(39,427)	(6,259)	(65)	(91,844)
Balance movements in loans	(22,890)	(4,250)	9,363	-	(17,777)
Write-offs	-	-	(3,415)	(30)	(3,445)
Total movement in loans & advances	331,336	45,603	20,801	449	398,189
As at 31 March 2020	607,628	147,349	30,922	449	786,348

NOTES TO THE FINANCIAL STATEMENTS (continued)

Movement analysis of ECL by stage

	Stage 1	Stage 2	Stage 3	POCI	Total
	£'000	£'000	£'000	£'000	£'000
As at 1 April 2019	147	933	3,229	-	4,309
Transfer to stage 1	248	(248)	-	-	-
Transfer to stage 2	(30)	66	(36)	-	-
Transfer to stage 3	(5)	(575)	580	-	-
New financial assets originated	813	-	-	37	850
New financial assets originated and transferred to Stage 2 or Stage 3	(591)	550	41	-	-
Financial assets which have repaid	(34)	(57)	(528)	-	(619)
Changes in models / risk parameters	(254)	547	3,778	-	4,071
Adjustments for interest on impaired loans	-	-	819	-	819
Write-offs	-	-	(3,415)	(30)	(3,445)
Total movement in impairment provision	147	283	1,239	7	1,676
As at 31 March 2020	294	1,216	4,468	7	5,985

The Group held 3 POCI loans during the year to 31 March 2020. 2 of these loans were held at year end within loans and advances amounting to £0.4m. The Company held no POCI loans during the year to 31 March 2020.

Credit risk on gross loans and advances

The table below provides information on the Group's loans and advances by stage and risk grade.

Risk grades detailed in the table range from 1 to 18 with a risk grade of 1 being assigned to cases with the lowest credit risk and 18 representing cases in default. Equifax Risk Navigator (RN) scores are used to assign the initial Risk Grade score with additional SICR rules used to generate the final Risk Grade.

A movement of three or more risk grades is considered a significant increase in credit risk trigger and basis for stage movement.

	Stage 1	Stage 2	Stage 3	POCI	Total
	£'000	£'000	£'000	£'000	£'000
Risk Grades 1 - 5	455,941	28,381	-	449	484,771
Risk Grades 6 - 10	130,230	71,294	-	-	201,524
Risk Grade 11 -15	20,468	44,413	-	-	64,881
Risk Grade 16 - 17	989	3,261	-	-	4,250
Default	-	-	30,922	-	30,922
Total	607,628	147,349	30,922	449	786,348

The Company

	Year Ended 31 March 2020	Year Ended 31 March 2019
	£'000	£'000
Gross loans and advances ¹	11,589	16,194
Impairment provision	-	-
ECL provision	(583)	(356)
Fair value adjustment ²	22	(2)
Loans and advances	11,028	15,836

¹Included in gross loans and advances is £9.9m of loans made to group entities. The ECL provision on these loans is not material.

²Fair value adjustment to gross loans and advances due to classification as FVOCI.

NOTES TO THE FINANCIAL STATEMENTS (continued)

ECL provision

Movement in the period	£'000
Under IFRS 9 at 1 April 2019	(356)
Additional provisions made during the period	(289)
Utilised in the period	62
Under IFRS 9 at 31 March 2020	(583)

Analysis of loans and advances by stage

	Stage 1	Stage 2	Stage 3	Total
	£'000	£'000	£'000	£'000
Gross loans and advances	9,931	458	1,200	11,589
ECL provision	(379)	(17)	(187)	(583)
Fair value adjustment	-	15	7	22
Loans and advances	9,552	456	1,020	11,028

NOTES TO THE FINANCIAL STATEMENTS (continued)

Movement analysis of loans by stage

	Stage 1	Stage 2	Stage 3	Total
	£'000	£'000	£'000	£'000
As at 1 April 2019	15,542	287	7	15,836
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	(14)	14	-
New financial assets originated	279	-	-	279
New financial assets originated and transferred to Stage 2 or Stage 3	(275)	46	229	-
Financial assets which have repaid	(1)	(263)	(2)	(266)
Balance movements in loans	(5,993)	400	834	(4,759)
Write-offs	-	-	(62)	(62)
Total movement in loans & advances	(5,990)	169	1,013	(4,808)
As at 31 March 2020	9,552	456	1,020	11,028

NOTES TO THE FINANCIAL STATEMENTS (continued)

Movement analysis of ECL by stage

	Stage 1	Stage 2	Stage 3	Total
	£'000	£'000	£'000	£'000
As at 1 April 2019	355	1	-	356
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
New financial assets originated	9	-	-	9
New financial assets originated and transferred to Stage 2 or Stage 3	(9)	-	9	-
Financial assets which have repaid	-	(1)	-	(1)
Changes in models / risk parameters	24	17	227	268
Adjustments for interest on impaired loans	-	-	13	13
Write-offs	-	-	(62)	(62)
Total movement in impairment provision	24	16	187	227
As at 31 March 2020	379	17	187	583

Credit risk on gross loans and advances

The table below provides information on the Company's loans and advances by stage and risk grade.

	Stage 1	Stage 2	Stage 3	Total
	£'000	£'000	£'000	£'000
Risk Grades 1 – 5	9,537	55	-	9,592
Risk Grades 6 - 10	6	216	-	222
Risk Grade 11 -15	9	161	-	170
Risk Grades 16 - 17	-	24	-	24
Default	-	-	1,020	1,020
Total	9,552	456	1,020	11,028

21. Trade and other payables

The Group

	Year Ended 31 March 2020	Year Ended 31 March 2019
	£'000	£'000
Trade payables	16,797	19,305
Other payables:		
• Corporation tax	(4)	-
• Taxes and social security costs	627	456
• Accruals and deferred income	15,476	10,737
	32,896	30,498

The Company

	Year Ended 31 March 2020	Year Ended 31 March 2019
	£'000	£'000
Trade payables	12,362	14,053
Other payables:		
• Corporation tax	356	1,220
• Taxes and social security costs	627	451
• Accruals and deferred income	4,199	4,188
	17,544	19,912

The trade payables balance includes Trustees' balances of £9.6m in respect of uninvested cash held on the self select platform, which may be withdrawn by investors at any time.

The Company has no non-current trade and other payables.

The carrying value of trade and other payables approximates fair value.

22. Interest bearing liabilities**The Group**

	Year Ended March 2020	Year Ended March 2019
	£'000	£'000
Funds from investors and partners	852,935	391,934
Unamortised funding line costs	(6,771)	(3,787)
	846,164	388,147

NOTES TO THE FINANCIAL STATEMENTS (continued)

For an analysis of contractual maturity and liquidity risk, refer to note 4. The Group is not in breach or default of any provisions of the terms or conditions of the agreements governing borrowings. The Group's annualised interest cost on funding has ranged between 2% to 8% in the current financial year.

Funding line costs are amortised on an effective interest rate basis. Interest bearing liabilities are secured by charges over the assets and operations of the Group.

Net debt represents interest bearing liabilities (as above), less cash at bank and in hand (excluding cash held for clients) and excluding unamortised funding line costs but including accrued interest relating to the Group's third-party indebtedness. A reconciliation of net debt is:

	As at 31 March 2020	As at 31 March 2019
	£'000	£'000
Interest bearing liabilities	846,164	388,147
Deduct: cash as reported in financial statements	(91,609)	(40,081)
Net debt: borrowings less cash as reported in the financial statements	754,555	348,066
Add back: unamortised funding line costs	6,771	3,787
Add back: trustees' account balances	9,626	6,759
Add: accrued interest	2,893	2,241
Deduct: retained interest	(3,180)	(3,728)
Net debt	770,665	357,125

The Company

	Year Ended March 2020	Year Ended March 2019
	£'000	£'000
Funds from investors and partners	32,486	21,329
	32,486	21,329

23. Share capital

	Year Ended 31 March 2020	Year Ended 31 March 2020	Year Ended 31 March 2019	Year Ended 31 March 2019
Issued and fully paid up	Number	£	Number	£
Ordinary shares	21,168,175	21	20,973,850	21
A Ordinary shares	687,556	1	687,556	1
A2 Ordinary shares	880,000	1	880,000	1
B1 Preferred shares	1,615,881	2	1,615,881	2
B2 Preferred shares	2,308,402	2	2,308,402	2
C Preferred shares	1,711,181	2	1,711,181	2
	28,371,195	29	28,176,870	29

Share premium	Year Ended March 2020	Year Ended March 2019
	£'000	£'000
1 April	17,278	7,000
Issue of new equity	262	10,278
31 March	17,540	17,278

The balance on the share capital account represents the aggregate nominal value of all ordinary and preference shares in issue. There is no maximum number of shares authorised by the articles of association.

The balance on the share premium account represents the amounts received in excess of the nominal value of the ordinary and preference shares.

All ordinary and preference shares have a nominal value of £0.000001.

NOTES TO THE FINANCIAL STATEMENTS (continued)

The C Preferred shares, B Preferred shares, Ordinary shares, "A" Ordinary shares and "A2" Ordinary shares shall rank pari passu in all respects save for:

- On distribution of assets on liquidation, holders of the C Preferred shares and B Preferred shares rank ahead of holders of the Ordinary shares

During the period to 31 March 2020 there was an issuance of 194,325 shares with a nominal value of £0.000001 per share at a total nominal value of £0.19. Consideration of £262k was received in excess of the nominal value of the shares which has been recognised in share premium.

24. Reserves

Reserves are comprised of retained earnings and the employee share reserve. Retained earnings represent all net gains and losses of the Group less costs associated with the issue of new equity and the employee share reserve represents the fair value of share options issued to employees but not exercised.

The fair value reserve represents movements in the fair value of the financial assets classified as FVOCI.

The cash flow hedge reserve is the deferred portion of the change in the fair value of the hedging instrument that is deemed to be effective.

25. Share based payments

Enterprise Management Incentives share option scheme

During the 2016 financial year the Company issued share options to employees under an Enterprise Management Incentives ("EMI") share option scheme. The following information is relevant in the determination of the fair value of options granted under the equity-settled share based remuneration schemes operated by the Group. These options were exercised during the year and equity settled. The weighted average share price at the exercise date was £1.35. See note 23 for further details.

Option pricing model used	Black-Scholes model
Valuation of share options at grant date	£0.29 pence per share actual market value
Amortisation period	1 year
Strike price	£1.35
Expiry date	December 2019
Grant date	June 2015

NOTES TO THE FINANCIAL STATEMENTS (continued)

The movement in options is as follows;

	Year Ended 31 March 2020	Year Ended 31 March 2019
Balance at 1 April	200,075	247,925
Exercised during the year	(194,325)	-
Cancelled during the year	(5,750)	(47,850)
Balance at 31 March	-	200,075

Company Share Option Plan

During the current and prior financial years, the Company issued share options to employees under a Company Share Option Plan ("CSOP"). The following information is relevant in the determination of the fair value of options granted during the year under the equity-settled share based remuneration schemes operated by the Group. These options vest annually on a straight-line basis according to the amortisation period of each award.

	Year Ended 31 March 2017	Year Ended 31 March 2018	Year Ended 31 March 2019	Year Ended 31 March 2020
Option pricing model used	Black-Scholes model	Black-Scholes model	Black-Scholes model	Black-Scholes model
Valuation of share options at grant date	£0.59 per share actual market value	£1.19 per share actual market value	£2.38 per share actual market value	£2.38 per share actual market value
Amortisation period	3 years	4 years	4 years	4 years
Strike price	£0.05	£0.000001	£0.000001	£0.000001
Expiry date	September 2026	November 2027	September 2028	August 2029
Grant date	September 2016	November 2017	September 2018	August 2019

NOTES TO THE FINANCIAL STATEMENTS (continued)

The movement in options is as follows:

Balance at 1 April	200,408	185,960	327,850	-
Granted during the year	-	-	-	227,250
Options exercised during the year	-	-	-	-
Cancelled during the year	(3,847)	(40,835)	(37,950)	(14,000)
Balance at 31 March 2020	196,561	145,125	289,900	213,250

Share based payment charge recognised

	Year Ended 31 March 2020	Year Ended 31 March 2019
	£'000	£'000
The expense is included in administrative expenses (note 9)	460	259

Weighted average exercise price

	£
At 1 April 2019	0.31
Exercised	1.35
Forfeited	0.08
At 31 March 2020	0.01

Weighted average remaining contractual life

	Years	Number of Options
2016 CSOP	6.46	196,561
2017 CSOP	7.63	145,125
2018 CSOP	8.48	289,900
2019 CSOP	9.36	213,250

Options granted in the year to 31 March 2020

Options granted in the year	
Market value at date of grant	£2.38
Expected volatility	35%
Expected dividends	-
Expected risk free rate	1.552%

26. Financial instruments

Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are: loans and advances, trade and other receivables, cash and cash equivalents, loans and borrowings, derivatives, and trade and other payables.

Categorisation of financial assets and financial liabilities

The financial assets of the Group are carried at amortised cost, fair value through other comprehensive income or fair value through profit and loss as at 31 March 2020 and 31 March 2019 according to the nature of the asset. All financial liabilities of the Group are carried at amortised cost as at 31 March 2020 and 31 March 2019 due to the nature of the liability, with the exception of derivatives which are measured at fair value¹.

¹There is a fair value adjustment on interest bearing liabilities through other comprehensive income in the year to 31 March 2020. This is in relation to an intra-group interest bearing liability, such that the carrying value of this liability is zero at a consolidated group level. Therefore, there are no fair value interest bearing liabilities at a consolidated group level.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Financial instruments measured at amortised costs

Financial instruments measured at amortised cost, rather than fair value, include cash and cash equivalents, trade and other receivables, trade and other payables and interest-bearing liabilities. Due to their short-term nature, the carrying value of cash and cash equivalents, trade and other receivables, and trade and other payables approximates their fair value.

NOTES TO THE FINANCIAL STATEMENTS (continued)

(a) Carrying amount of financial instruments

A summary of the financial instruments held by category is provided below:

The Group

	As at 31 March 2020	As at 31 March 2019
Financial assets at amortised cost	£'000	£'000
Cash and cash equivalents	91,609	40,081
Trade and other receivables	4,390	3,422
Loans and advances	-	-
Financial assets at fair value through other comprehensive income		
Loans and advances	786,067	388,159
Financial assets at fair value through profit and loss		
Fair value adjustment for portfolio hedged risk asset	3,421	-
Loans and advances	281	-
Total financial assets	885,768	431,662
Financial liabilities at amortised cost		
Trade and other payables	32,273	30,042
Interest bearing liabilities	846,164	388,147
Lease liability	5,717	-
Financial liabilities at fair value through profit & loss		
Derivative financial liability	12,993	2,871
Total financial liabilities	897,147	421,060

The Company

	Year Ended 31 March 2020	Year Ended 31 March 2019
Financial assets at amortised cost	£'000	£'000
Cash and cash equivalents	29,611	19,721
Trade and other receivables	29,138	23,795
Financial assets at fair value through other comprehensive income		
Loans and advances	11,028	15,838
Total financial assets	69,777	59,354
Financial liabilities at amortised cost		
Trade and other payables	16,562	18,241
Interest bearing liabilities	32,486	21,329
Lease liability	5,717	-
Total financial liabilities	54,765	39,570

(b) Carrying amount versus fair value

The following table compares the carrying amounts and fair values of the Group's financial assets and financial liabilities as at 31 March 2020 and the comparative figures:

	As at 31 March 2020	As at 31 March 2020	As at 31 March 2019	As at 31 March 2019
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets	£'000	£'000	£'000	£'000
Cash and cash equivalents	91,609	91,609	40,081	40,081
Trade and other receivables	4,390	4,390	3,422	3,422
Loans and advances	786,348	786,348	388,159	388,159
Fair value adjustment for portfolio hedged risk asset	3,421	3,421	-	-
Total financial assets	885,768	885,768	431,662	431,662
Financial liabilities				
Trade and other payables	32,273	32,273	30,042	30,042
Interest bearing liabilities	846,164	834,935	388,147	386,445
Derivative financial liability	12,993	12,993	2,871	2,871
Lease liability	5,717	5,717	-	-
Total financial liabilities	897,147	885,918	421,060	419,358

The fair value of Retail Bond 1 interest bearing liabilities is calculated based on the mid-market price of 91.50 on 31 March 2020 (price of 98.075 on 31 March 2019).

The fair value of Retail Bond 2 interest bearing liabilities is calculated based on the mid-market price of 86.75 on 31 March 2020 (price of 98.15 on 31 March 2019).

NOTES TO THE FINANCIAL STATEMENTS (continued)

As per IFRS 9, loans and advances are classified as fair value through other comprehensive income and any changes to fair value are calculated based on the fair value model and are recognised through the statement of other comprehensive income.

Interest bearing liabilities continue to be classified at amortised cost and the fair value in the table above is for disclosure purposes only.

(c) Fair value hierarchy

The level in the fair value hierarchy within which the financial asset or financial liability is categorised is determined on the basis of the lowest level input that is relevant to the fair value measurement. Financial assets and liabilities are classified in their entirety into only one of the three levels. The fair value hierarchy has the following levels:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

	As at 31 March 2020	Level 1	Level 2	Level 3
Financial instruments measured or disclosed at fair value	£'000	£'000	£'000	£'000
Interest rate swap	(12,993)	-	(12,993)	-
Fair value adjustment for portfolio hedged risk asset	3,421	-	3,421	-
Loans and advances	786,348	-	-	786,348
Financial instruments measured or disclosed at amortised cost				
Interest bearing liabilities ¹	(831,914)	(831,914)	-	-

For all other financial instruments, the fair value is equal to the carrying value and has not been included in the table above.

NOTES TO THE FINANCIAL STATEMENTS (continued)

	As at 31 March 2019	Level 1	Level 2	Level 3
Financial instruments measured or disclosed at fair value	£'000	£'000	£'000	£'000
Interest rate swap	(2,871)	-	(2,871)	-
Portfolio hedged risk asset	-	-	-	-
Loans and advances	388,159	-	-	388,159
Financial instruments measured or disclosed at amortised cost				
Interest bearing liabilities ¹	(386,445)	(386,445)	-	-

¹ Interest bearing liabilities are held at amortised cost on the statement of financial position.

Level 2 instruments include interest rate swaps which are either 2, 3 or 5 years in length. These lengths are aligned with the fixed interest periods of the underlying loan book.

Level 3 instruments include loans and advances. The valuation of the asset is not based on observable market data (unobservable inputs). Valuation techniques include net present value and discounted cash flow methods. The assumptions used in such models include benchmark interest rates and borrower risk profile. The objective of the valuation technique is to determine a fair value that reflects the price of the financial instrument that would have been used by two counterparties in an arm's length transaction.

Financial instrument	Valuation technique used	Significant unobservable inputs	Range
Loan and advances	Discounted cash flow valuation	Prepayment Rate Probability of default Discount Rate	2% - 14% 16% - 84% 2.5% - 10%

(d) Fair value reserve

	Financial assets	Deferred tax	Fair value reserve
	£'000	£'000	£'000
Fair value reserve at 1 April 2019	(678)	129	(549)
Movement in fair value of loans and advances at fair value through other comprehensive income	7,117	(1,353)	5,764
Movement in fair value of interest-bearing liabilities at fair value through other comprehensive income	(1,361)	259	(1,102)
Cash flow hedge adjustment through other comprehensive income	4,669	(887)	3,782
Fair value reserve at 31 March 2020	9,747	(1,852)	7,895

Information about sensitivity to change in significant unobservable inputs

The significant unobservable inputs used in the fair value measurement of the reporting entity's loans and advances are prepayment rates and discount rates. Significant increase / (decrease) in any of those inputs in isolation would result in a lower / (higher) fair value measurement. A change in the assumption of these inputs will not correlate to a change in the other inputs.

Sensitivity Analysis

Impact of changes in unobservable inputs	Gain or loss at 31 March 2020	+5bps	-5bps
		£'000	£'000
Prepayment rates	(6,439)	(6,397)	(6,479)
Discount rate	(6,439)	(7,413)	(5,462)

The fair value of the Buy-To-Let portfolio has materially reduced during the current financial year and is largely driven by the volatility in securitisation rates leading up the 31 March 2020. This led to a reduction in the fair value of the Buy-To-Let portfolio to £6.6m below its nominal value. If the Buy-To-Let portfolio was revalued using securitisation rates as at May 2020, the fair value of the portfolio would have increased to £9.9m above nominal value, a movement of £16.5m with a resultant equity position of £23.8m.

27. Derivatives held for risk management

Instrument Type	Year Ended 31 March 2020		Year Ended 31 March 2019	
	Asset £'000	Liability £'000	Asset £'000	Liability £'000
LIBOR indexed interest rate swaps	-	(403)	-	(2,871)
SONIA indexed interest rate swaps	-	(12,590)	-	-
Total	-	(12,993)	-	(2,871)

All derivatives are held at fair value for the purpose of managing risk exposures arising on the Group's business activities, assets and liabilities, although not all the derivatives are subject to hedge accounting.

The net derivative fair value losses arising in the period is £10.1m (31 March 2019 £2.8m) of which £8.0m has been deferred in cash flow hedge reserve. All other derivative fair value losses have been recognised directly in the consolidated statement of profit and loss as a finance expense. The net notional principal amount of the outstanding interest rate swap contracts at 31 March 2020 was £601.6m (31 March 2019 £204m).

28. Related party transactions

There were no related party transactions during the period to 31 March 2020 that would materially affect the position or performance of the Group.

The Company

The Company has made loans to LendInvest Warehouse Limited to enable it to buy a portfolio of loans from LendInvest Income Fund Limited Partners. During the year to 31 March 2020, the Company made loans of £3.6m and received repayments in respect of loans of £4.4m. The balance as at 31 March 2020 was £3.1m (£3.9m as at 31 March 2019). These loans are interest-bearing at 8% per annum.

The Company also received the following fees from related party subsidiaries;

	Year Ended 31 March 2020	Year Ended 31 March 2019
	£'000	£'000
LendInvest Funds Management Limited	6,515	22
LendInvest Capital Management Limited	100	100

29. Controlling party

In the opinion of the directors, the Company does not have a single controlling party.

30. Events after the reporting date

In April 2020, LendInvest Secured Income Plc, which is a subsidiary of the Group, cancelled £7.3m of bonds which were sold back to the company by a third party bond holder at lower than par value. A gain of £1.4m was recorded in the Consolidated Statement of Profit and Loss.

Since 31 March 2020, the Covid-19 pandemic has meant that economic conditions in the UK have deteriorated and the continued government imposed lockdown conditions have effectively shut down many industries and sectors. There has been some loosening of restrictions prior to the approval of these financial statements and more will be lifted in the forthcoming weeks but there remains a high level of uncertainty on the length of the lockdown and the long-term effects on the economy such that any financial impacts are difficult to model. The Group has created a number of financial forecasts and continues to work closely with its institutional funding lines to monitor the developing situation. The business model and the products offered have been, and will continue to be, appropriately adjusted to reflect the level of risk in the economy.

Until conditions start to normalise within the UK economy, the Group has reduced capital expenditure and taken prudent steps to reduce operating expenses to maximise working capital during these unprecedented conditions.

The Group's operating software is cloud based and the entire workforce has been able to work remotely during the ongoing lockdown. This has not caused any meaningful reduction in the efficiency of operations and the business has continued to lend across all products since lockdown was enforced.



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