LendInvest Secured Income PLC

Annual report and financial statements for the year ended 31 March 2020

Registration number: 10408072

LendInvest Secured Income PLC

Contents

LendInvest Secured Income PLC

Officers and professional advisors

Directors	Christian Faes Ian Thomas
Secretary	Angelie Panteli
Company number	10408072
Registered office	Two Fitzroy Place 8 Mortimer Street London W1T 3JJ
Auditors	BDO LLP
Bankers	Barclays Bank PLC

LendInvest Secured Income PLC

Strategic report
For the year ended 31 March 2020

The directors present their strategic report for LendInvest Secured Income PLC (the "Company") for the year ended 31 March 2020.

The directors, in preparing this strategic report, have complied with s414C of the Companies Act 2006.

Principal activity
The principal activity of the Company during the financial year was to provide secured property finance to third party borrowers.

Performance in the year
The Company was incorporated on 3 October 2016. The Company subsequently issued a prospectus dated 19 July 2017 offering fixed rate secured loan notes to be listed on the London Stock Exchange's Order Book for Retail Bonds (ORB) market and guaranteed by the Company's parent, LendInvest Limited.

As at 31 March 2020 the Company had issued £120 million of bonds by principal value as follows:

- £50 million on 10 August 2017;
- £40 million on 6 April 2018;
- £15 million held in treasury sold on 7 May 2019;
- £0.5 million held in treasury sold on 9 January 2020;
- £14.5 million held in treasury sold on 6 February 2020.

As at 31 March 2020 the Company had invested £106.1 million in short-term loans to property professionals and had £15.7m in cash and cash equivalents.

The Company generated a profit after tax of £52,000 (2019 profit: £220,000) during the year, which has reduced due to increased intermediary fees paid to the ultimate parent of the Company, LendInvest Limited.

Future outlook
The Company continues to invest in short term loans to property professionals and may issue further notes according to the strategy of the LendInvest Group (the "Group").

Principal risks and uncertainties
The Board has the overall responsibility for the establishment and oversight of the Company's risk management framework. The risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and ensure any limits are adhered to. The Company'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 competitiveness and flexibility of the business.

The Company has exposure to the following risks from its use of financial instruments: credit risk, liquidity risk, market risk:

Credit risk management

Credit risk is the risk that the Company's loans and advances are subject to borrower default. It arises principally from the Company's receivables from customers and cash and cash equivalents held at bank. The Company's maximum exposure to credit risk by class of financial asset is as follows:

Principal risks and uncertainties (continued)

Assets	31 March 2020 £'000	31 March 2019 £'000
Gross loans and advances	106,108	89,195
Cash and cash equivalents	15,740	1,157
	121,848	**90,352**

Credit risk management lies at the core of the business and the Company has continued to develop its strong credit risk management framework which includes:

- A clearly defined credit risk policy.
- The continued recruitment of specialist skills in credit underwriting.
- A Credit Committee which meets monthly.
- An Impairment & Modelling Committee - specifically formed for the governance of IFRS 9 - which meets quarterly.

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

Brexit/market risk: the UK ceased to be a member of the EU on 31 January. There continues to exist some 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 Company, they note that the Company 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 Company's underlying asset recovery. The Company'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. By applying the Bank of England's Annual Cyclical Scenario ("ACS") tests, it was shown that the business could withstand a scenario more severe than the Global Financial Crisis of 2008.

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 Company is not yet fully known. The Group's workforce has 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 IFRS 9 provisioning as at the 31 March 2020 has been calculated based on the most recent metrics, further details of which can be found under "critical accounting estimates and judgments" in note 1.

Principal risks and uncertainties (continued)

Liquidity risk management

There is a risk that the Company will not be able to meet its financial obligations as they fall due. The Company'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 Company's position. The Company's liquidity position is monitored and reviewed on an ongoing basis by the directors and management.

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

As at 31 March 2020	Carrying amount £'000	Gross nominal inflow/(outflow) £'000	Amount due within one year £'000	Amount due post one year £'000
Financial assets				
Cash and cash equivalents	15,740	15,740	15,740	-
Trade and other receivables	1,899	1,899	1,899	-
Net loans and advances	104,406	108,951	107,210	1,741
Total	122,045	126,590	124,849	1,741
Financial liabilities				
Trade and other payables	(3,160)	(3,160)	(3,160)	-
Interest bearing liabilities	(118,801)	(138,775)	(6,375)	(132,400)
Total	(121,961)	(141,935)	(9,535)	(132,400)

As at 31 March 2019	Carrying amount £'000	Gross nominal inflow/(outflow) £'000	Amount due within one year £'000	Amount due post one year £'000
Financial assets				
Cash and cash equivalents	1,157	1,157	1,157	-
Trade and other receivables	32,941	32,941	32,941	-
Net loans and advances	88,426	93,719	75,794	17,925
Total	122,524	127,817	109,892	17,925
Financial liabilities				
Trade and other payables	(4,023)	(4,023)	(4,023)	-
Interest bearing liabilities	(118,504)	(145,168)	(6,375)	(138,793)
Total	(122,527)	(149,191)	(10,398)	(138,793)

Principal risks and uncertainties (continued)

Capital management

The Company considers its capital to comprise of its equity share capital plus retained profits. The Company's objectives when maintaining capital are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns to bondholders and shareholders. The Company sets the amount of capital it requires in proportion to risk. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

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)	• 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	The Company via the Group embedded sales teams and business development managers for each product who are regularly in contact with customers via telephone calls and emails. 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 Loan Recoveries, and Tech & Innovation. The Company maintains technology and data roadmaps to track customer engagement. The Company sends out regular broker feedback surveys.	Continued investment in technology, building a new Broker Portal, which allows brokers to apply for a Decision in Principle in under two minutes. 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. Streamlined the website, allowing quicker access to the key loan information for both borrowers and brokers, improving the overall customer experience.
Shareholders	• Company performance (financial and operational) • Capital allocation/use of company funds	Information relating to company performance is publicly available in line with financial reporting standards.	Continued investment in people and technology, generating greater efficiencies across the business and providing scalability in line with the growth of the business.

Director's responsibilities under the Companies Act 2006 (continued)

Key stakeholder	Key concerns	Method of engagement	Company response to key concerns
Shareholders	• Strategic execution • Investment plans • Effective/up to date communication	Major shareholders have board representation or are invited to board meetings where strategic and investment plans are discussed and approved.	Creation of a new Data Warehouse, that has improved the quality of data and eliminated reporting errors. 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.

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

The Company's 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	Environment
In considering the Company's impact on the community, the Company has resolved to support a specific corporate charity each year and is supporting Crohn's & Colitis UK in 2020. The Company provides and supports employee volunteering opportunities and supports corporate fundraising campaigns. The Company also encourages and supports employees within the Group 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, a FinTech for Schools event at the City of London for Girls school and regular food bank drives.	The Company 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. • Ensuring that electrical equipment and lights are off when not in use. The Company also supports the Environmental, Social, Governance ("ESG") committee which was launched by the Group this year to better serve its borrowers and investors. In March 2020, the Company supported the launch of a green finance initiative by the Group which incentivises borrowers when they improve the EPC rating of their property during the term of the loan.

Key performance indicators

The Company uses key performance indicators to track progress against its plans. The performance of the main indicators in this reporting period were:

	31 March 2020	31 March 2019
Gross amounts of loans outstanding (£m)	106.1	89.2
Cash not deployed (£m)	15.7	1.2
Euro Medium Term Note loan notes issued (£m)	120.0	90.0
Total loan losses realised (annualised %)	0.24%	-
Weighted average Loan to Value of loans (%)	67%	62%
Profit before tax (£k)	2	272

Approved by the Board on 19 June 2020 and signed on its behalf by:

I. T

....

Ian Thomas
Director

LendInvest Secured Income PLC

Directors' report
For the year ended 31 March 2020

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

Future outlook
See strategic report.

Principal risks and uncertainties
See strategic report.

Going concern
On the basis of their assessment of the Company's financial position and that of its parent LendInvest Limited, the Company's directors have a reasonable expectation that the Company 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 at a Group level and several financial plans have been prepared for the forthcoming year across a range of potential scenarios. Alongside this, a comprehensive review of all covenants attached to the listed bonds, has been conducted to ensure ongoing compliance both under expected circumstances and potential stressed scenarios. The directors have reviewed these plans and consider the Company 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 statutory profit after tax for the year ended 31 March 2020 amounted to £52,000 (2019 profit: £220,000). 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
See strategic report.

Political donations
The Company made no political donations during the year.

Events after the reporting date
In April 2020 the Company cancelled £7.3m of bonds which were sold to the Company by a third party bondholder at lower than par value, recognising a gain of £1.4 million.

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 Company has created a number of financial forecasts and continues 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.

The Company's operating software is cloud based and the entire Group 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.

LendInvest Secured Income PLC

Directors' report
For the year ended 31 March 2020 (continued)

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:

Christian Faes

Ian Thomas

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 s418 of the Companies Act 2006.

Appointment of auditors

In accordance with section 485 of the Companies Act 2006, a resolution for the re-appointment of BDO LLP as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

Approved by the Board on 19 June 2020 and signed on its behalf by:

....

Ian Thomas
Director

Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that act the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) 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 Company and of the profit or loss of the Company for that period.

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

- select suitable accounting policies and 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 financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of 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 Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

LendInvest Secured Income PLC

Independent auditor's report to the members of LendInvest Secured Income PLC

Opinion

We have audited the financial statements of LendInvest Secured Income PLC (the 'company') for the year ended 31 March 2020 which comprise of the Statement of profit or loss, Statement of other comprehensive income, Statement of financial position, Statement of changes in equity, Statement of cash flows and 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 and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- 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 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 as applied to listed public interest entities, 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 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.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How we addressed the key audit matter in the audit
Revenue recognition	
Revenue: £10,011,000 *(2019: £8,600,000)* *Refer to the accounting policy in note 1 and note 4.* Revenue represents interest income, fee income, redemption fee, exit and extension of loan finance income. Other income streams comprise of management fees and valuation fees recognised in accordance with IFRS 15. Finance income is recognised using the effective interest rate (EIR) method inclusive of directly attributable incremental transaction costs and fees in accordance with IFRS 9. Specific risks and significant judgements associated with revenue recognition include: i. Calculation of EIR ii. Recognition of interest income due to the transfers of loans to other group companies iii. Income recognition acceleration (Cut-off)	We adopted a controls based approach supported by substantive procedures over income allocation due to transfer of loans to/from other group companies where the control environment was deemed to be appropriately designed and implemented (post implementation of the 'Loan Engine' (income allocation software). We tested the operating effectiveness of key controls over loans and related income origination, calculation and recording. We assessed EIR calculations to check that income was recognised in line with the stated revenue recognition accounting policy. Where manual EIR adjustments were applied, we reviewed those adjustments to confirm that the revenue recognition was appropriate. We tested on a sample basis, the accounting for income on loans split between funding lines and on loans transferred between legal entities with underlying supporting documents checking whether the income associated with these loans was accurately recognised in the appropriate legal entity. We performed cut-off procedures by selecting a sample and reviewing the supporting documentation to check that income was recognised in the correct accounting period. For management fees and valuation fees, we selected a sample and agreed to the relevant supporting documents to determine that income was accounted for appropriately and in accordance with stated accounting policies. ***Key observations:*** **Based on our testing we did not identify any misstatement which suggest that revenue is not recognized and disclosed appropriately in the financial statements or key assumptions made in revenue recognition are not appropriate and in accordance with applicable accounting standards.**

Independent auditor's report to the members of LendInvest Secured Income PLC (continued)

Key audit matter	How we addressed the key audit matter in the audit
Loan loss provisioning	
Charge: £1,275,000 *(2019: £396,000)* Provision: £1,642,000 *(2019: £625,000)* *Refer to the accounting policy in note 1 and note 10.* Under IFRS9, the directors are required to assess the recoverability of all financial assets, not just those specifically identified as impaired. The most significant areas where we identified greater levels of management judgement were: - Economic base case – IFRS 9 requires the company to measure the expected credit loss (ECL) on a forward-looking basis, incorporating future macro- economic variables reflecting a range of future conditions. The economic base case is the key driver of the range of future conditions. - Complex ECL models – inherently judgemental modelling techniques are used to estimate ECLs which involves determining Probabilities of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD). - Individually assessed Stage 3 (credit impaired) carrying value – the carrying value of loans and advances to customers may be materially misstated if individual impairments are not appropriately identified and estimated. The identification of impaired assets and the estimation of impairment includes a range of estimates of future cash flows and valuation of collateral.	We evaluated the completeness and accuracy of source data of the ECL models by reviewing underlying reconciliations and testing the operating effectiveness of key controls over data input. We tested the review and approval by the Credit Committee of the macroeconomic base case used in the ECL calculations, all key variables and the ECL results by reviewing the related minutes of the meetings. We engaged internal credit and econometric experts to assist in evaluating the selection and source of significant PD's, LGD's and EAD's used in the ECL models. The key variables inputs of the ECL model were reviewed, considered and agreed, where possible and appropriate, to third party data sources. We agreed managements macroeconomic forward looking scenarios to third party providers of this information. We critically assessed on a sample basis the key judgments management applied against the applicable supporting documentation, in determining the appropriate provision for loans that were designated as stage 3. We performed back testing of impairment of loans designated as stage 3 to assess the reasonableness of impairment provision recognised in prior year. ***Key observations:*** **We are satisfied that the assumptions made in determining the loan provisioning are appropriate and loan provision amount is recognised in accordance with applicable accounting standards.**

Independent auditor's report to the members of LendInvest Secured Income PLC (continued)

Key audit matter	How we addressed the key audit matter in the audit
Loans and advances valuation	
Fair value: £104,406,000 *(2019: £88,426,000)* *Refer to the accounting policy in note 1 and note 10.* The directors assessed the classification and measurement of loans under IFRS 9 to be fair value through other comprehensive income (FVTOCI). The directors have valuation models to calculate the fair value of each of loan. The models utilise a discounted cash flows approach, utilising discount factors which have been determined by comparable borrowing rates offered by direct industry competitors or derived by an assessment of the securitisation market. There are risks surrounding both the assumptions and inputs into the fair value models which could lead to the incorrect calculation of fair value as well as the application of the model.	We tested the Credit Committees approval of all key variables and the fair value results by reviewing the related minutes of the meetings We evaluated on a sample basis, the completeness and accuracy of source data used in the fair value models by reviewing the underlying reconciliations and testing the operating effectiveness of key controls over data input. We inspected the calculations of the models and applicable supporting documentation to check that the fair values were derived accurately. We engaged our internal valuation experts to assess the key inputs used in the calculations of the models with a focus on the discount rate. ***Key observations:*** **Based on procedures performed we consider that the fair value of the loan portfolio has been calculated and disclosed appropriately in line with applicable accounting standards.**

Key audit matter	How we addressed the key audit matter in the audit
Going concern: Covid-19	
Management's going concern consideration is disclosed in the Directors' report on page 8 and in note 1 to the financial statements. Subsequent to year end, the COVID-19 virus is continuing to have a significant impact on businesses and the economy in the UK and Globally. Management has performed a Covid19 assessment as part of their going concern assessment which includes the impact of Covid-19 on the company operations, liquidity management and external covenants compliance for a period of at least 12 months from the date of approval of these financial statements. Management has concluded that there is no material uncertainty in relation to the entity's ability to continue as a going concern. Given the uncertainty regarding the impact of COVID-19 on the economy and the Company and judgements involved in management assessment we considered this to be a key audit matter.	In responding to this risk: Using our understanding of the company's business and the wider market we critically reviewed management's assessment of the potential impact of the Covid-19 pandemic. We have reviewed the cashflow forecasts and budget at Group level for accuracy and reasonableness of the assumptions made within them by challenging the robustness of key assumptions (revenue forecasts, growth rates, macroeconomic factors) used in the cash flow against supporting underlying documentation and financial forecasts prepared for a period of greater than 12 months form the date of approval of financial statements. We have focused largely on the downside scenarios, including factors or circumstances that could 'break' the business by comparing the stress tests applied by management to their forecasts and considering the appropriateness of the scenarios evaluated and potential *impact to our understanding of emerging risks and current* market norms in this respect. The audit team have challenged management as to whether any risks or circumstances have been omitted from their assessment. We checked the completeness of covenants by reviewing the underlying agreements and challenged the compliance by reviewing the company's covenant compliance (both at year-end and post year-end) and impact of stress testing on company's covenants. We also confirmed the transparency and reasonableness of the disclosures in relation to Covid-19 in the financial statements. ***Key observations:*** **Based on procedures performed we have no findings.**

Independent auditor's report to the members of LendInvest Secured Income PLC (continued)

Our application of materiality

Materiality is defined as the size or nature of a misstatement that, in the light of surrounding circumstances, makes it probable that the judgement of a reasonable user of the financial statements would have been changed or influenced as a result of the misstatement. Materiality is an important judgement we make as part of establishing our overall audit strategy and is used throughout the audit process, including in the evaluation of our audit work and when forming our audit opinion. Based on our professional judgement, materiality was determined as follows:

Overall financial statements materiality	£219,000 *(2019: £153,000)*
Basis of materiality	Materiality is based on 7.5% profit before tax adjusted for intercompany fees. *(2019: 5% profit before tax* adjusted for intercompany fees*)*. In establishing an appropriate benchmark to use, we considered various financial measures including those used by the management in their internal reporting, other relevant measures such as regulatory capital surplus requirements, and industry practice. Profit before tax was the most appropriate metric given the nature of the business.
Performance materiality	£142,350 *(2019: £114,750)* Performance materiality is the application of materiality at the individual account or balance level set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Performance materiality represents 65% *(2019: 75%)* of materiality. This has been determined based on criteria such as the level of controls operated and complexity of the company.
Threshold for reporting misstatements to the Audit Committee	£4,380 *(2019: 3,060)* Misstatements below this threshold are also reported where the nature of the misstatement warrants reporting on qualitative grounds.

Independent auditor's report to the members of LendInvest Secured Income PLC (continued)

An overview of the scope of our audit

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We also addressed the risk of management override of internal controls and the risk of fraud in revenue recognition and the loan impairment and valuation, including evaluating whether there was evidence of bias by management that represented a risk of material misstatement due to fraud. Specific audit procedures were carried out on all risk areas identified, including the key audit matters detailed above, and on all material balances and classes of transactions. The audit team, with the assistance of BDO internal experts performed all aspects of the audit.

Extent to which the audit is capable of detecting irregularities including fraud

We gained an understanding of the legal and regulatory framework applicable to the Company and the industry in which it operates from our sector experience and through discussion with the directors and other management and considered the risk of acts by the Company which were contrary to applicable laws and regulations, including fraud. These included but were not limited to Companies Act 2006, Corporate and VAT legislation, Employment Taxes and FCA regulation.

We designed audit procedures to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error.

We focused on laws and regulations that could give rise to a material misstatement in the financial statements. Our tests included, but were not limited to:

- Agreement of the financial statement disclosures to underlying supporting documentation;
- Enquiries of management;
- Review of minutes of board meetings throughout the period;
- obtaining an understanding of the control environment in monitoring compliance with laws and regulations; and
- Review of correspondence with the FCA

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely, as auditor of the financial statements, we would become aware of it. We also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the directors that might reasonably represent a risk of material misstatement due to fraud.

Independent auditor's report to the members of LendInvest Secured Income PLC (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report and financial statements, 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 the 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 the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the 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 company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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 directors' responsibilities statement, 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 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 company or to cease operations, or have no realistic alternative but to do so.

Independent auditor's report to the members of LendInvest Secured Income PLC (continued)

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: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters which we are required to address

We were appointed by the directors in October 2016 to audit the financial statements for the period ended 31 March 2018 and subsequent financial periods. The period of total uninterrupted engagement is 3 years, covering the periods 31 March 2018 to 31 March 2020.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the company and we remain independent of the company in conducting our audit.

Our audit opinion is consistent with the additional report to the Audit Committee.

Use of our report

This report is made solely to the 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 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 company and the 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
United Kingdom
19 June 2020

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

LendInvest Secured Income PLC

Statement of profit and loss
For the year ended 31 March 2020

	Note	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Revenue	4	10,011	8,600
Cost of sales		(6,047)	(5,979)
Gross profit		**3,964**	**2,621**
Administrative expenses		(2,868)	(2,812)
Impairment provisions	10	(1,087)	(395)
Finance income	6	759	858
Finance cost	7	(766)	-
Profit before tax		**2**	**272**
Tax on profit	9	50	(52)
Profit for the year		**52**	**220**

All amounts relate entirely to continuing activities and to owners of the Company.
The notes on pages 25 to 46 form an integral part of these financial statements.

LendInvest Secured Income PLC

Statement of other comprehensive income
For the year ended 31 March 2020

	Note	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Profit for the year		**52**	**220**
Items that will or may be reclassified to profit or loss			
Fair value gain on loans and advances measured at fair value through other comprehensive income		84	219
Deferred tax (charge)/credit	9	(16)	(42)
		68	**177**
Total comprehensive income for the year		**120**	**397**

The notes on pages 25 to 46 form an integral part of these financial statements.

LendInvest Secured Income PLC

Statement of financial position
As at 31 March 2020

	Note	2020 £'000	2019 £'000
Non-current assets			
Loans and advances	10	104,406	88,426
Deferred tax assets	11	43	59
		104,449	88,485
Current assets			
Trade and other receivables	12	1,899	32,941
Cash and cash equivalents		15,740	1,157
Total assets		**122,088**	**122,583**
Current liabilities			
Trade and other payables	13	(3,160)	(4,072)
Non-current liabilities			
Interest bearing liabilities	14	(118,801)	(118,504)
Total liabilities		**(121,961)**	**(122,576)**
Net assets		**127**	**7**
Equity			
Share capital	16	50	50
Other reserves	17	(49)	(117)
Retained earnings	17	126	74
Total equity		**127**	**7**

The notes on pages 25 to 46 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors and authorised for issue on 19 June 2020.

Signed on behalf of the Board of Directors by:

I. T

I Thomas
Director

LendInvest Secured Income PLC

Statement of changes in equity
For the year ended 31 March 2020

	Share capital £'000	Other reserves £'000	Retained earnings £'000	Total £'000
Balance at 1 April 2018	50	(294)	(146)	(390)
Profit for the year	-	-	220	220
Other comprehensive income	-	177	-	177
Total comprehensive income	-	177	220	397
Balance at 31 March 2019	50	(117)	74	7

	Share capital £'000	Other reserves £'000	Retained earnings £'000	Total £'000
Balance at 31 March 2019	50	(117)	74	7
Profit for the year	-	-	52	52
Other comprehensive income	-	68	-	68
Total comprehensive income	-	68	52	120
Balance at 31 March 2020	50	(49)	126	127

The notes on pages 25 to 46 form an integral part of these financial statements.

LendInvest Secured Income PLC

Statement of cash flows
For the year ended 31 March 2020

	Note	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Cash flow from operating activities			
Profit for the year		52	220
Adjusted for:			
Add/(subtract) income tax expense/(credit)	9	(50)	52
Add back impairment Provision	10	1,087	396
Finance income[1]	6	(758)	(858)
Finance cost	7	766	-
Working capital adjustments			
Increase in loans and advances	10	(16,983)	(38,957)
(Increase)/decrease in trade and other receivables	12	31,042	(32,903)
Increase/(decrease) in trade and other payables	13	(862)	2,131
Interest received	6	758	858
Interest paid	7	(766)	-
Net cash flow from operating activities		14,286	(69,061)
Cash flows from financing activities			
Increase in interest bearing liabilities	14	297	69,584
Net cash flow from financing activities		297	69,584
Net increase in cash and cash equivalents		14,583	523
Cash and cash equivalents at start of year		1,157	634
Cash and cash equivalents at end of year		**15,740**	**1,157**

[1]The adjustment for finance income differs to the amount on the statement of profit and loss. This is due to the £1,000 gain on sale of £0.5m of bonds held in treasury in January 2020.

The notes on pages 25 to 46 form an integral part of these financial statements.

Notes to the financial statements
For the year ended 31 March 2020

1. Accounting policies

General information
LendInvest Secured Income PLC is a public limited company by share capital which was incorporated on 3 October 2016 in England and Wales and is domiciled in the United Kingdom under the Companies Act 2006. The address of its registered office is given on page 1.

The principal activity of the Company during the financial year was to provide secured lending to third party borrowers.

The Company is a 100% subsidiary of LendInvest Loan Holdings Ltd (which is in turn a 100% subsidiary of LendInvest Limited) and its results are included in the consolidated financial statements of the Group.

Basis of accounting
These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and have been prepared on a historical cost basis with the exception of financial instruments held at FVOCI. The Disclosure and Transparency Rules of the Financial Conduct Authority require these financial statements to be prepared applying the accounting policies and presentation that were applied in the preparation of the Company's last published financial statements.

These financial statements have been drawn up in accordance with the Companies Act 2006.

Changes in accounting standards and policies

IFRS 16 – Leases

On 1 April 2019, the Company 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 Company does not hold any leases and as such, the financial statements have not been impacted by these changes and no transitional changes have been applied.

New standards 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 Company 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).
- 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 Company 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 Company.

1. Accounting policies (continued)

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.

The Company is not exposed to variable rates in either its lending or funding, therefore the reforms to IBOR are not expected to have any material impact on its performance. However, the Company continues to monitor the developments on IBOR reform for changes that may affect the Company going forward.

Functional and presentation 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 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 profit or loss. These financial statements are presented in pounds sterling, which is the Company's functional currency.

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 Company are recognised in the statement of profit and loss using the effective interest rate method.
- 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 Company's activities.

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

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

1. Accounting policies (continued)

Cost of sales
Cost of sales represents interest expense on interest bearing liabilities which are accounted for under IFRS 9 on an effective interest rate (EIR) basis, inclusive of directly attributable incremental transaction costs and fees including structuring fees, uncommitted fees, and set up costs (legal fees).

Administrative expenses
Expenses recognised in the statement of comprehensive income in the period in which they are incurred.

Financial instruments
The Company adopted IFRS 9 from 1 April 2018 in relation to the treatment of financial instruments.

(i) Classification and measurement

In accordance with IFRS 9, the Company has classified its financial assets with reference to both the Company's business model for managing the assets and the contractual cash flow characteristics of the assets. The Company's financial assets have been classified into the following categories:

At amortised cost, these are assets for which the business model is to hold the asset and collect the contractual cash flows, and those cash flows are solely payments of principal and interest. This means that cash flows typically occur on pre-determined dates and that interest primarily reflects the time value of money, compensation for credit risk and profit margin.

The Company has classified the following assets as 'at amortised cost': cash in hand and balances, and trade and other receivables. Assets held at amortised cost are initially recorded at fair value (usually transaction price) plus any directly attributable costs. They are subsequently measured using the effective interest rate method.

At fair value through other comprehensive income (FVOCI), these are categories of assets for which the business model is to hold the asset and collect the contractual cash flows or to sell the assets. The contractual cash flows must be solely payments of principal and interest. The Company holds loans and advances that are considered to meet the definition of the hold or sell business model. They are therefore classified as 'at FVOCI'. These assets are initially recognised at fair value plus any attributable costs. Subsequent changes in fair value are recognised in equity, except for impairment provisions which are recognised in the statement of profit and loss.

All Financial liabilities are classified as 'at amortised cost'. Financial liabilities are initially recorded at their fair value, and those to be measured at amortised cost are subsequently measured using the effective interest rate method.

(ii) Derecognition of financial assets and liabilities

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Company has substantially transferred all risks and rewards of ownership. If substantially all risks and rewards have been neither retained nor transferred and the entity has retained control of the asset, the assets continue to be recognised to the extent of the Company's continuing involvement. Financial liabilities are derecognised when they are extinguished.

1. Accounting policies (continued)

Impairment of financial assets

Impairment provisions are calculated for all financial assets held at amortised cost or at fair value through other comprehensive income. Loss provisions are also held against undrawn loan commitments, where a loan offer has been issued to a customer and remains unexpired but the loan has not yet completed and so has not yet been recognised in the statement of financial position.

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 ECL.
- 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 made. Any subsequent recoveries are recognised directly in the statement of profit and loss as they arise.

Impairment of loans and advances to customers

The primary driver in determining whether an individual loan has had a significant increase in credit risk is a quantitative assessment of the increase in lifetime probability of default ("PD"). At each reporting date, a third party credit score is obtained and a movement of three or more levels downwards is regarded as a significant increase in credit risk and the loan is allocated to Stage 2.

In addition to the above, a number of qualitative criteria have been set such that loans which are considered to have a significantly increased credit risk but would not be captured above are moved to Stage 2. A backstop is also in place such that all loans which are between 21- 30 days past due (depending on which product type they relate to) are moved to Stage 2.

Individual loans are considered to be in default and are allocated to Stage 3 if the loan is more than 60 or 90 days past due (depending on product type), is subject to certain forbearance activities, is in repossession or if the customer has been identified as bankrupt and is in arrears by more than a nominal amount.

ECL is calculated by multiplying loss given default ("LGD"), PD and exposure at default ("EAD"). Each element of the calculation is modelled at individual account level on a monthly basis over the remaining life of the loan, with the first 12 months totalled to obtain the 12 month ECL and the lifetime ECL obtained by totalling the above over the full life of the loan. Modelling assumptions are based on historical data analysis of the impact of economic variables on loan behaviour.

Provisions are assessed on a loan-by-loan basis for stage 3 loans where the underlying loan balance is greater than £500,000 and the loan to value is greater than 75%. Individual Stage 3 ECL on loans and advances to customers are calculated based on an assessment of the expected cash flows and the underlying collateral. All individually assessed loans are reviewed at the Company's Impairment and Modelling Committee.

1. Accounting policies (continued)

The overall ECL recorded in the financial statements is calculated as the probability weighted ECL over a range of possible forecasted macroeconomic scenarios. The Company uses 40% / 50% / 10% base case / downside view / upside view to calculate the final ECL provision. The Company is not large enough to have an internal economist so the scenarios are provided by Oxford Economics, a third party forecasting and quantitative analysis provider.

Interest income and expense
Interest income and expense on all financial instruments is recognised in interest receivable or payable in the statement of profit and loss. Interest income, any fees considered an integral part of effective interest rate of the loan and interest expense are calculated using the effective interest rate method for financial assets and liabilities held at amortised cost and at FVOCI.

The effective interest rate method is a method of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortised cost of a financial liability.

Specifically, for loans and advances, the effect of this policy is to spread arrangement, broker and valuation fees, and costs directly attributable and incremental to setting up the loan, over the expected life of the contractual period.

Current and deferred tax
The tax expense for the period comprises current 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 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.

Going concern
The Company's business activities together with the factors likely to affect its future development and position are set out in the Strategic report of these financial statements. It is on this basis that the directors have prepared the accounts on the going concern basis.

The impact of Covid-19 has been assessed at a Group level and several financial plans have been prepared for the forthcoming year across a range of potential scenarios. Alongside this, a comprehensive review of all covenants attached to the listed bonds, has been conducted to ensure ongoing compliance both under expected circumstances and potential stressed scenarios. The directors have reviewed these plans and consider the Company 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.

1. Accounting policies (continued)

Critical accounting estimates and judgements
In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Company's accounting policies
The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

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.

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 Company's financial statements require disclosure of fair value. The fair value measurement of the Company'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).

1. Accounting policies (continued)

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 Company 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 Company's business plan;
- a downside scenario as modelled in the Company'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 Company applied a 40% base case / 50% downside / 10% upside scenario weighting to reflect increased credit risk resulting from the Covid-19 pandemic.

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.

Sensitivity Analysis – sensitivity analysis on the ECL models has been completed. Due to the high number of loans which are individually assessed, the model demonstrates very low levels of sensitivity, as can be seen from the two changes below:

- An increase in the forced sale discount of 10% - ECL would increase by £0.015m.
- An increase of the survival rate by 100% - ECL would increase by £0.015m.

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 Company is unable to reach an agreement with the borrower for immediate or short-term repayment of the amounts subject to the write-off. Write-offs constitute a derecognition event as detailed under Financial Instruments in note 1. 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.

Funding

All borrowings are initially recorded at the amount of proceeds received, net of transaction costs. Borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the income statement over the period of the relevant borrowing.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Intermediary fees

Intermediary fees are charged by the ultimate parent, LendInvest Limited, according to the level of support provided across loan servicing, administrative and other support services.

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 Company. 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.

2. Financial risk management

The Board has the overall responsibility for the establishment and oversight of the Company's risk management framework. The risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and ensure any limits are adhered to. The Company'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.

The Company has exposure to the following risks from its use of financial instruments: credit risk, liquidity risk, market risk:

Credit risk management

Credit risk is the risk that the Company's loans and advances are subject to borrower default. It arises principally from the Company's receivables from customers and cash and cash equivalents held at banks. The Company's maximum exposure to credit risk by class of financial asset is as follows:

Assets	**31 March 2020 £'000**	**31 March 2019 £'000**
Gross loans and advances	106,108	89,195
Cash and cash equivalents	15,740	1,157
	121,848	**90,352**

Credit risk management lies at the core of the business and the Company has continued to develop its strong credit risk management framework which includes:

- A clearly defined credit risk policy
- The continued recruitment of specialist skills in credit underwriting
- A Credit Committee which meets monthly
- An Impairment & Modelling Committee - specifically formed for the governance of IFRS 9 - which meets quarterly

The fair value of cash and cash equivalents at 31 March 2020 approximates the carrying value. 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 Company against loans to borrowers is actively managed by the Company. Security over the property is registered with the Land Registry, and only properties within England, Scotland and Wales are suitable for security. Loans are capped at 75% of the open market value of the property against which security is held, and minimum loan period interest is retained on completion.

Liquidity risk management

There is a risk that the Company will not be able to meet its financial obligations as they fall due. The Company'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 Company's position. The Company's liquidity position is monitored and reviewed on an ongoing basis by the directors and management.

2. Financial risk management (continued)

The table below analyses the Company's contractual undiscounted cash flows of its financial assets and liabilities:

As at 31 March 2020	Carrying amount £'000	Gross nominal inflow/(outflow) £'000	Amount due within one year £'000	Amount due post one year £'000
Financial assets				
Cash and cash equivalents	15,740	15,740	15,740	-
Trade and other receivables	1,899	1,899	1,899	-
Net loans and advances	104,406	108,951	107,210	1,741
Total	122,045	126,590	124,849	1,741
Financial liabilities				
Trade and other payables	(3,160)	(3,160)	(3,160)	-
Interest bearing liabilities	(118,801)	(138,775)	(6,375)	(132,400)
Total	(121,961)	(141,935)	(9,535)	(132,400)

All gross nominal inflows and outflows on financial assets and financial liabilities are due within 5 years at the reporting date.

Capital management

The Company considers its capital to comprise of its equity share capital plus retained profits. The Company's objectives when maintaining capital are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns to bondholders and shareholders. The Company sets the amount of capital it requires in proportion to risk. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

3. Segmental analysis

The Company's operations are carried out solely in the UK and consist of one business line (short term lending). The results and net assets of the Company are derived from the provision of property related loans only.

4. Revenue

The analysis of the Company's revenue for the year from continuing operations is as follows:

	2020 £'000	2019 £'000
Interest received	10,010	8,568
Fees	1	32
	10,011	8,600

5. Auditor's remuneration

	2020 £'000	2019 £'000
Audit of financial statements	5	5

Fees payable to the Company's auditors for audit services of £5,000 in the current year are borne by LendInvest Limited and disclosed in note 8 of the consolidated financial statements of the Group.

6. Finance income

	2020 £'000	2019 £'000
Intercompany interest	758	858
Gain on sale of bonds	1	-
	759	858

7. Finance cost

	2020 £'000	2019 £'000
Intercompany interest	766	-

8. Staff costs

Key management personnel compensation
Key management personnel are those persons having authority and responsibility for planning, directive and controlling the activities of the Company.

	2020 £'000	2019 £'000
Salary	585	240
Short-term non-monetary benefits	3	3
Defined contribution pension cost	9	5
	597	248

The Company employed no employees for the year ended 31 March 2020 (2019: none). The directors' remuneration is paid by LendInvest Limited. The remuneration above is attributable to work performed by key management personnel across the Group and is not entirely attributable to the Company.

9. Tax on profit

The charge/(credit) for the year in the statement of profit and loss and other comprehensive income:

	2020 £'000	2019 £'000
Current taxation		
UK corporation tax	0	52
Adjustments in respect of prior periods	(50)	-
Total current income tax charge/(credit)	(50)	52
Deferred taxation		
Origination and reversal of temporary differences	0	-
Total deferred income tax charge/(credit)	0	-
Total tax charge/(credit)	(50)	52

Tax related to items charged or credited to other comprehensive income:

	2020 £'000	2019 £'000
Other comprehensive income movements	16	42
Tax charge/(credit) in the statement of other comprehensive income	16	42

The tax on profit before tax for the year is the same as the standard rate of corporation tax in the UK of 19% (2019: 19%).

The differences are reconciled below:

	2020 £'000	2019 £'000
Profit before tax	2	272
Corporation tax at standard UK corporation tax rate of 19% (2019: 19%)	0	52
Tax effects of:		
Over provision of current tax	(50)	-
Total tax charge/(credit)	(50)	52

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.

10. Loans and advances

	As at 31 March 2020 £'000	As at 31 March 2019 £'000
Gross loans and advances	106,108	89,195
ECL provision	(1,642)	(625)
Fair value provision	(60)	(144)
Loans and advances	104,406	88,426

ECL provision

Movement in the period	**£'000**
Under IFRS 9 at 1 April 2019	(625)
Additional provisions made during the period[1]	(1,275)
Utilised in the period[2]	258
Under IFRS at 31 March 2020	(1,642)

[1]The ECL provision of £1.6m 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 statement of profit and loss is £1.3m. This includes the £1.1m of impairment provisions shown in the statement of profit and loss and the total impact of expected credit losses on income recognised on stage 3 loans and advances using the effective interest rate of £0.2m.

[2]Loans that are written off can still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due. The contractual amount outstanding on loans and advances that were written off during the reporting period and are still subject to enforcement activity is £0.3m (2019: nil).

Analysis of loans and advances by stage

	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Gross loans and advances	54,682	32,540	18,886	**106,108**
ECL	(28)	(146)	(1,468)	**(1,642)**
Fair value adjustment	107	(279)	112	**(60)**
Loans and advances	**54,761**	**32,115**	**17,530**	**104,406**

The maximum LTV on stage 1 loans is 75%. The maximum LTV on stage 2 loans is 94%. The maximum LTV on stage 3 loans is 106%. The total value of collateral held on stage 3 loans is £26.6m.

10. Loans and advances (continued)

Movement analysis of loans by stage

	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
As at 1 April 2019	**54,119**	**27,932**	**6,375**	**88,426**
Transfer to stage 1	2,833	(2,833)	-	-
Transfer to stage 2	(18,565)	19,069	(504)	-
Transfer to stage 3	(7,369)	(4,987)	12,356	-
New financial assets originated	71,853	-	-	**71,853**
New financial assets originated and transferred to stage 2 & stage 3	(19,292)	19,292	-	-
Financial assets which have repaid	(18,215)	(19,572)	(4,100)	**(41,887)**
Balance movements in loans	(10,603)	(6,786)	3,661	**(13,728)**
Write-offs	-	-	(258)	**(258)**
Total movement in loans & advances	**642**	**4,183**	**11,155**	**15,980**
As at 31 March 2020	**54,761**	**32,115**	**17,530**	**104,406**

10. Loans and advances (continued)

Movement analysis of ECL by stage

	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
As at 1 April 2019	**23**	**83**	**519**	**625**
Transfer to stage 1	3	(3)	-	-
Transfer to stage 2	(7)	43	(36)	-
Transfer to stage 3	(2)	(54)	56	-
New financial assets originated FY20	74	-	-	**74**
New financial assets originated and transferred to stage 2 & stage 3	(47)	15	32	-
Financial assets which have repaid	(11)	(26)	(330)	**(367)**
Changes in models / risk parameters	(5)	88	1,299	**1,382**
Adjustments for interest on impaired loans	-	-	186	**186**
Write-offs	-	-	(258)	**(258)**
Total movement in impairment provision	**5**	**63**	**949**	**1,017**
As at 31 March 2020	**28**	**146**	**1,468**	**1,642**

Credit risk on gross loans and advances

This table provides information on the Company'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 the lowest credit risk and 18 showing 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 decrease of three or more risk grades is considered a significant increase in credit risk trigger and basis for stage movement.

	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Risk Grades 1 - 5	37,400	4,412	-	**41,812**
Risk Grades 6 - 10	12,584	10,159	-	**22,743**
Risk Grades 11 - 15	4,777	17,382	-	**22,159**
Risk Grades 16 - 17	-	162	-	**162**
Default	-	-	17,530	**17,530**
Total	**54,761**	**32,115**	**17,530**	**104,406**

11. Deferred tax asset

	2020 £'000	2019 £'000
Deferred tax asset – short term timing differences	43	59

12. Trade and other receivables

	2020 £'000	2019 £'000
Trade receivables	-	2
Receivables from related parties	1,838	32,292
Prepayments and accrued income	61	647
	1,899	32,941

13. Trade and other payables

	2020 £'000	2019 £'000
Trade payables	1,176	2,019
Accrued expenses and deferred income	1,984	2,004
Corporation tax	-	49
	3,160	4,072

Amounts due to related parties are unsecured, interest free and payable on demand.

14. Interest bearing liabilities

	As at 31 March 2020 £'000	As at 31 March 2019 £'000
Interest bearing liabilities due after one year but less than five years	120,000	120,000
Funding line costs	(1,199)	(1,496)
	118,801	118,504

On 10 August 2017, the Company issued £50 million of fixed rate secured loan notes listed on the London Stock Exchange's Order Book for Retail Bonds (ORB) market (Retail Bond 1). These bonds are guaranteed by the Company's parent, LendInvest Limited, have a maturity of five years from date of issue and a fixed interest rate of 5.25% per annum, payable semi-annually.

On 6 April 2018, the Company issued £40 million of fixed rate secured loan notes listed on the London Stock Exchange's Order Book for Retail Bonds (ORB) market (Retail Bond 2). These bonds are guaranteed by the Company's parent, LendInvest Limited, have a maturity of five and a half years from the date of issue and a fixed interest rate of 5.375% per annum, payable semi-annually.

14. Interest bearing liabilities (continued)

In May 2019, the Company sold, at par, £15 million of bonds previously held in treasury. These bonds are guaranteed by the Company's parent, LendInvest Limited, have a maturity of five and a half years from the date of issue, which was 6 April 2018 and a fixed interest rate of 5.375% per annum, payable semi-annually.

In January 2020, the Company sold above par, £0.25 million of Retail Bond 1 and £0.25 million of Retail Bond 2 bonds previously held in treasury. These bonds are guaranteed by the Company's parent, LendInvest Limited and have a maturity of five and a half years from the dates of issue of 10 August 2017 ad 6 April 2018 for Retail Bond 1 and Retail Bond 2 respectively.

In February 2020, the Company sold at par, £9.75 million of Retail Bond 1 and £4.75 million of Retail Bond 2 bonds previously held in treasury. These bonds are guaranteed by the Company's parent, LendInvest Limited and have a maturity of five and a half years from the dates of issue of 10 August 2017 and 6 April 2018 for Retail Bond 1 and Retail Bond 2 respectively.

Funding line costs are amortised on an effective interest rate basis.

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

	As at 31 March 2020 £'000	**As at 31 March 2019 £'000**
Interest bearing liabilities	118,801	118,504
Deduct: cash as reported in financial statements	(15,740)	(1,157)
Net debt: borrowings less cash	103,061	117,347
Add: unamortised funding line costs	1,199	1,496
Add: accrued interest expense	1,994	2,004
	106,254	120,847

15. Financial Instruments

Principal financial instruments

The principal financial instruments used by the Company, from which financial instrument risk arises, are: loans and advances, trade and other receivables, cash and cash equivalents, interest bearing liabilities and trade and other payables.

Categorisation of financial assets and financial liabilities

All financial assets of the Company are carried at amortised cost or fair value through other comprehensive income as at 31 March 2020. All financial liabilities of the Company are carried at amortised cost as at 31 March 2020.

Financial instruments measured at amortised cost

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.

(a) Carrying amount of financial instruments

A summary of the financial instruments held is provided below:

	As at 31 March 2020 £'000	As at 31 March 2019 £'000
Financial assets not at fair value through profit and loss		
Cash and cash equivalents	15,740	1,157
Trade and other receivables	1,899	32,941
Loans and advances	104,406	88,426
Total financial assets	**122,045**	**122,524**
Financial liabilities not at fair value through profit and loss		
Trade and other payables	3,160	4,023
Interest bearing liabilities	118,801	118,504
Total financial liabilities	**121,961**	**122,527**

15. Financial Instruments (continued)

(b) Carrying amount versus fair value

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

	As at 31 March 2020 £'000	As at 31 March 2020 £'000
	Carrying amount	Fair value
Financial assets		
Cash and cash equivalents	15,740	15,740
Trade and other receivables	1,899	1,899
Loans and advances	104,406	104,406
Total financial assets	**122,045**	**122,045**
Financial liabilities not at fair value through profit and loss		
Trade and other payables	3,160	3,160
Interest bearing liabilities	118,801	105,750
Total financial liabilities	**121,961**	**108,910**

The fair value of the Retail Bond 1 interest bearing liability is calculated based on the mid-market price of £91.50 on 31 March 2020.

The fair value of the Retail Bond 2 interest bearing liability is calculated based on the mid-market price of £86.75 on 31 March 2020.

Loans and advances are classified as fair value through other comprehensive income and any changes to fair value are calculated based on a fair value model and recognised through the statement of other comprehensive income. Interest bearing liabilities are 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 significant 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);
- Level 3 - inputs for the asset or liability that are not based on observable market data.

15. Financial Instruments (continued)

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 £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Financial instruments measured or disclosed at fair value				
Loans and advances	104,406	-	-	104,406
Interest bearing liabilities[1]	(105,750)	(105,750)	-	-

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

	As at 31 March 2019 £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Financial instruments measured **or disclosed at fair value**				
Loans and advances	88,426	-	-	88,426
Interest bearing liabilities[1]	(117,735)	(117,735)	-	-

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

The valuation techniques and significant input used in determining the fair value measurement of level 3 financial instruments are below.

Level 3 instruments include loans and advances. As observable prices are not available for these instruments, the Company has used valuation techniques to derive the fair value.

Financial instrument	Valuation techniques used	Significant input
Loans and advances	Discounted cash flow valuation	Discount rate

15. Financial Instruments (continued)

(d) Fair value reserve

	Financial assets £'000	Deferred tax £'000	Fair value reserve £'000
Balance as at 1 April 2019	**(144)**	**27**	**(117)**
Movement in fair value adjustment for loans and advances at fair value through other comprehensive income	84	(16)	68
Fair value reserve at 31 March 2020	**(60)**	**11**	**(49)**

Information about sensitivity to change in significant inputs

The significant input used in the fair value measurement of the reporting entity's loans and advances is discount rates. A significant increase / (decrease) in this input in isolation would result in a lower / (higher) fair value measurement.

(e) Fair Value sensitivity analysis

Impact of changes in significant inputs	**Gain or loss at 31 March 2020**	**+5bps £'000**	**-5bps £'000**
Discount rate	(60)	(29)	(91)

(f) 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 points change represents the board's assessment of a reasonably possible change in interest rates. As loan assets are at FVOCI, a movement in interest rates would affect the fair value of loan assets and, therefore, equity reserves.

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

- Profit before tax for the year to 31 March 2020 would be unchanged. Although the Company's interest rates on loans to borrowers is operated as a fixed rate, the Company has the legal right to vary the borrower interest rate if certain changes in interest rates occur. Implementing this provision would improve the impact of an interest rate increase. However, we have assumed in this sensitivity analysis that the Company has not implemented this provision. Loans from lenders are fixed rate denominated.
- Equity reserves as at 31 March 2020 would decrease by £0.5m after being offset by the deferred tax impact.

UK interest rates are at historic lows of 10 bps. A reduction of 100 basis points would result in negative interest rates. This has been applied below given indications by the Bank of England that this is being considered. If interest rates reduced by 100 basis points and all other variables were held constant:

- Profit before tax for the year to 31 March 2020 would be unchanged. As noted above, the Company's interest rates on loans to borrowers are fixed rate denominated, with certain provisions to vary them, while loans from lenders are also fixed rate denominated.
- Equity reserves as at 31 March 2020 would increase by £0.5m after being offset by the deferred tax impact.

16. Share capital

	2020		2019	
	No.	£	No.	£
Issued ordinary shares of £1 each	50,000	50,000	50,000	50,000

The Company has one class of ordinary shares which carry no right to fixed income.

Capital management

The Company considers its capital to comprise of its equity share capital plus its accumulated retained profits.

The Company's objectives when maintaining capital are:

- To safeguard the entity'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 Company sets the amount of capital it requires in proportion to risk. The Company manages its capital structure and adjusts it in the light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may adjust the number of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

17. Reserves

The Company's other reserves are as follows:

Retained earnings:

The retained earnings reserves represent cumulative profits or losses, net of dividends and other adjustments.

	2020 £'000	2019 £'000
Retained earnings	126	74

Other reserves:

The other reserves represent movements on the fair value of the financial assets classified as FVOCI.

	2020 £'000	2019 £'000
Fair value reserve	(49)	(117)

18. Related party transactions

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Intercompany interest income/(expense)		
LendInvest Finance No.6 Ltd	758	858
LendInvest Finance No.6 Ltd	(766)	-

Income and expenses in relation to bonds issued by the Company on 29 October 2018, held in treasury during the year.

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Intercompany intermediary fee income/(expense)		
LendInvest Finance No.6 Ltd	-	(2,809)
LendInvest Limited	(2,859)	-

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Transfer of loan balances between the Company and related parties		
Total value of loan balances transferred to the Company from related parties during the period	358,526	249,164
Total value of loan balances transferred from the Company to related parties during the period	241,206	120,597

19. Ultimate controlling party

The controlling party is LendInvest Loan Holdings Limited, and the ultimate controlling party is LendInvest Limited whose consolidated financial statements are available at the registered address.

20. Events after reporting date

In April 2020 the Company cancelled £7.3m of bonds which were sold to the Company by a third party bondholder at lower than par value, recognising a gain of £1.4 million.