



LendInvest Limited

Financial statements for the year ended 31 March 2021

Company registration number 08146929



Contents

Officers and professional advisors	3
Strategic report	4
Directors' report	15
Directors' responsibility statement	20
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Independent auditor's report	21
Consolidated statement of profit and loss	25
Consolidated statement of other comprehensive income	26
Consolidated statement of financial position	27
Company statement of financial position	29
Consolidated statement of cash flows	31
Company statement of cash flows	33
Consolidated statement of changes in equity	35
Company statement of changes in equity	37
Notes to the financial statements	38

Officers and professional advisors

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

Strategic report

The directors present their strategic report for LendInvest Limited (“the Company”) and its subsidiaries (together “the Group” or “LendInvest”) for the year ended 31 March 2021.

Review of the business

Our purpose

The principal activity of the Group is to provide asset management services for property finance in the United Kingdom.

Our business model

LendInvest is the UK’s leading platform for property finance. LendInvest originates portfolios of property finance loans for Investors and Financial Partners by providing borrowers and brokers with transparent, convenient and competitively-priced property finance products. The Group benefits from a diversified revenue stream, of which 85% is recurring. Revenue is generated through annual management and performance servicing fees on Separate Accounts and Funds, and interest charged on assets funded by to borrowers through Financial Partnerships and RMBS. Arrangement fees are earned on every loan originated. Expenses are incurred in the form of investment returns to our Investors and Financial Partners. The Group currently provides three types of secured property lending to borrowers in the form of bridging loans, development loans, (collectively, “short term lending”), and Professional Buy-to-Let (“BTL”) loans.

One of the key objectives for LendInvest is to have as wide a variety of investors as possible so a growing, diverse and highly scalable capital base provides it with both flexibility and resilience. The Group already benefits from a diverse pool of capital and has continued to add to its investor base in line with this objective during the year.

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

Technology also underpins a roadmap for growth for the Group, becoming increasingly important as the Group grows its share in longer term, higher volume products. The volume of Buy-to-Let loans originated by the Group during the year outpaced the short term lending volume by 2.2 BTL loans for every 1 short term loan, and this is expected to continue to grow. This makes the Group’s investment into its technology platform essential in order to ensure operational and cost efficiency over the coming years.

Key events during the year

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

- September 2020: the Group transfers £125m of Buy-to-Let loans to JP Morgan, seeding a Separate Account partnership
- November 2020: the Group announces the sad and untimely passing of Angelie Panteli, its Chief Financial Officer, executive director and hugely respected colleague
- January 2021: the Group announces £500m expansion of its Separate Account with JP Morgan to support the growth of the company's Buy-to-Let product
- February 2021: the Group begins offering BBR indexed products and discontinues LIBOR indexed products, a major milestone in the Group's IBOR transition plan
- December 2020: Michael Evans is appointed as the Group's Chief Financial Officer initially on an interim basis taking on the permanent role in March 2021

Results and performance

Despite the challenging economic environment brought about by the global COVID-19 pandemic, the Group's technology infrastructure enabled us to transition quickly to remote working and remain open for business throughout lockdown. Despite the temporary closure of the property markets in early 2020, the Group was well-positioned to benefit from the market recovery and delivered impressive growth for the year, reporting an adjusted EBITDA of £12.1m (2020: £4.1m) and profit from operations of £9.3m (2020: £0.6m).

These results were driven by growth in the Group's assets under management (in particular Buy-to-Let), a reduction in the Group's funding costs through the renegotiating of Financial Partnerships, an RMBS securitisation and an impressive increase in operating efficiencies.

The Group agreed a long-term Separate Account partnership with JP Morgan for initially up to £625m of Buy-to-Let loans. The new partnership has delivered total revenue of £4.7m over the period. The Group has also recognised a non-recurring realised gain of £1.4m on the repurchase and cancellation of issued bonds from an external bond holder at below par value.

The Group has reported a profit before tax of £6.2m for the year (2020: loss of £3.2m). The cost of a restructuring programme undertaken in the period was £0.8m and is expensed in the statement of profit and loss under exceptional costs.

The Group has recognised fair value gains of £40m on its originated assets through equity, reversing a comparative fair value loss of £7.1m reported for the prior year. At the close of the prior year there was a spike in credit spreads as markets reacted to the onset of the COVID-19 pandemic. As a consequence, the securitisation rates the Group applies in fair valuing its Buy-to-Let portfolio increased significantly, driving the fair value loss reported for the prior year. The gains reported for the year to 31 March 2021 are largely as a result of the reversal of the increase in securitisation rates observed at prior year-end close.

We are pleased to report continued growth in new brokers, as we remain focused on providing superior service to this important stakeholder group. New brokers almost doubled to 1,308 in the year (2020: 764) and we saw 74.8% of origination through repeat brokers (2020: 60.5%).

LendInvest operates in a large market with significant potential for disruption, with £300bn annual originations and £1.5trn debt outstanding. The Group's platform is highly scalable with further opportunities for efficiency and automation as well as opportunities to expand into adjacent markets beyond the three current loan segments. In its current markets, the Group continues to expand the number of loans per existing borrower and grow its customer base. Key potential avenues for expansion include the specialist homeowner and consumer buy-to-let segments where LendInvest's tried and tested platform can bring simplicity and best in class customer service to highly manual and paper based markets. Technology and experience underpin the Group's strategy, and LendInvest sees significant potential to grow market share.

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

	Gross management accounts		IFRS accounts	
	FY 2021	FY 2020	FY 2021	FY 2020
	Unaudited £'m	Unaudited £'m	Audited £'m	Audited £'m
Revenue	118.2	108.4	79.1	65.5
Gross profit	37.6	30.3	37.6	30.3
Profit from operations	9.3	0.6	9.3	0.6
Adjusted EBITDA ¹	12.1	4.1	n/a	n/a
Loans and advances ²	1,573.3	1,256.7	1,056.9	786.3
Cash & cash equivalents	62.2	91.6	62.2	91.6

The gross management accounts KPIs above include revenue, gross profit, profit from operations, adjusted EBITDA and loans and advances arising from off-balance sheet Fund after distribution and Separate Account entities. Loans and advances held in off balance sheet entities continue to be managed by the Group.

The gross management KPIs provided for current and prior period comparatives are a non-statutory complementary component of these financial statements.

¹EBITDA for the current and prior periods have been adjusted to remove non-operating exceptional costs to reflect a comparative like for like operating EBITDA. FY 2021 figures have been adjusted for £0.8m of restructuring costs and £0.2m of hedge costs, and FY 2020 has been adjusted by £2.2m relating to costs incurred as part of an abortive stock exchange listing. Share based payment accounting charges relating to the employee share schemes have also been removed from this metric.

²The Loans and Advances balances disclosed above under gross management accounts are not adjusted for ECL and fair value movements.

During the year under review, statutory revenue increased by £13.6m to £79.1m (2020: £65.5m) and statutory loans and advances increased by £270.6m to £1,056.9m (2020: £786.3m). These increases were due to the significant growth in the Buy-To-Let portfolio in the period.

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

FY 2021	Gross management accounts			IFRS accounts		
	Short term lending	Buy-to-Let lending	Total	Short term lending	Buy-to-Let lending	Total
	Unaudited	Unaudited	Unaudited	Audited	Audited	Audited
	£'m	£'m	£'m	£'m	£'m	£'m
Revenue	82.9	35.3	118.2	46.3	32.8	79.1
Loans and Advances ²	677.6	895.7	1,573.3	282.5	774.4	1,056.9

² The Loans and Advances balances disclosed above under gross management accounts are not adjusted for ECL and fair value movements.

Risks and uncertainties

The group is exposed to, monitors and manages the following key risks;

Covid-19/market risk: The UK and global economies have suffered the effects of the ongoing Covid-19 pandemic which has impacted all industries and sectors. The stimulus programmes undertaken by governments and liquidity injected into financial markets by central banks underpinned a recovery in market confidence following initial reactions to the onset of the pandemic. The UK government has had great success implementing its vaccination programme, which bodes well for the lifting of government-imposed lockdowns and a strong economic recovery. However COVID-19 remains a significant risk to the global economy, as the global rollout of vaccinations is patchy and new variants of COVID-19 continue to emerge for which the efficacy of current vaccines is unknown. There is also uncertainty as to how businesses and economies will cope as government support programmes are withdrawn over the coming months. The Lendinvest workforce quickly and successfully adapted to working remotely throughout the COVID-19 lockdowns and the business continues to review the most up to date information available as it pertains both to the operations of the business and its customers.

Liquidity risk: The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's position. The Group's liquidity position is monitored and reviewed on an ongoing basis by the directors and the Assets and Liabilities Committee. A key component of liquidity risk is the Group's funding for the purpose of its long term Buy-to-Let product. The Group's strategy is to grow the portfolio and then periodically securitise the assets. The Group completed two securitisation transactions during the year to 31 March 2020 and holds the strategic intention to continue doing so in relation to the Buy-to-Let loans, subject to favourable market conditions. The Group significantly increased liquidity for its origination of Buy-to-Let loans with the implementation of a Separate Account partnership, adding £500m of available funding.

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

- A clearly defined credit risk appetite framework
- The continued recruitment of specialist skills in credit underwriting and credit risk modelling

- A Credit Committee which meets monthly
- An Impairment & Modelling Committee – responsible for the governance of IFRS 9 - which meets at least quarterly

Operational risk: A material failure in the process and controls supporting our business activities, whether due to inadequate or failed processes, poor change management, people or systems, could lead to financial loss, poor outcomes for our customers and/or reputational damage. The Group seeks to mitigate this risk by maintaining robust operational systems and controls and through investing heavily in building up capabilities for the next stage of growth, including through technology. In addition, the Group maintains a Risk Committee and continues its development of a robust risk and compliance function.

Brexit/market risk: Whilst the directors do not currently consider the evolving trading relationship between the UK and EU to be a principal risk for the Group, they note that a general and persistent underperformance of the UK economy and weak market sentiment caused by uncertainty over EU-UK trade, has the potential to adversely impact the Group's ability to raise international investment, increase asset under management and recover underlying assets. Through the Group's annual strategic planning process, including ongoing monitoring and reporting, and the robustness in the approach to financial and credit risk, the directors believe the business is well positioned to effectively withstand market fluctuations due to economic uncertainty.

Interest rate risk: The risk of financial losses from assets, liabilities and cash flows sensitive to changes in interest rates. The Group seeks to mitigate this risk by monitoring any movements and reviewing the potential risk on a regular basis through its Asset & Liability Committee. The Group uses derivatives to manage any risk above tolerable levels against funding facilities that carry floating rates where the underlying asset carries a fixed rate of return. Derivatives are carried at fair value and the Group reports changes in fair value of qualifying derivatives under a hedge accounting policy.

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. Current expectations are that SONIA (Sterling Overnight Index Average) will replace GBP LIBOR. There are key differences between GBP LIBOR and SONIA. GBP LIBOR is a forward-looking term rate, published for a borrowing period (e.g. 3 months) at the beginning of the borrowing period. SONIA is currently a backward-looking rate, based on overnight rates from actual transactions, and it is published at the end of the overnight borrowing period. Furthermore, GBP LIBOR includes a credit spread over the risk-free rate, which SONIA does not.

For the year-ending 31 March 2021, the Group's risk exposure that is directly affected by the IBOR reform are:

- a portfolio of BTL fixed-rate mortgages, that revert to a floating rate indexed to LIBOR after a fixed term, £741.7m (2020: £600.5m); and
- a portfolio of interest rate swaps used to hedge the interest rate risk of a proportion of the BTL fixed-rate mortgages, £221.9m notional value (2020: £59m).

The Group has formed a working group to facilitate the transition of indexed assets and liabilities from GBP 3M LIBOR to a new index. In the 2021 Q1 the Group had achieved the transition milestones of –

- Cessation of all LIBOR indexed product offerings, and
- Commencement of BBR (Bank of England Base Rate) indexed product offers

The working group intends that by 2021 Q3 all existing borrowers will be formally notified of a change in the benchmark to which their loans are indexed. The notifications will state that the current LIBOR index will be transitioned to BBR plus a credit adjustment spread and will take place on 1 January 2022.

The working group is also in discussions with the Group's institutional funding lines and derivative counterparties to execute an orderly transition of funding lines and derivative indexes from LIBOR to SONIA. The working group is confident that a successful transition of these balance sheet items will be achieved by the end of 2021.

The Group has identified that the areas of most significant risk arising from the replacement of GBP LIBOR are: existing fallback/transition clauses not operating as anticipated; mismatches in timing of derivatives and loans transitioning from GBP LIBOR and the resulting impact on economic risk management; and updating hedge designations. The Group continues to engage with industry participants to ensure an orderly transition to SONIA and to minimise the risks arising from transition, and it will continue to identify and assess risks associated with GBP LIBOR replacement.

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 Companies Act 2006.

Key stakeholder	What do they care about	How the company engages with them	How the company responds to their needs/how business decisions have been impacted
Customers (borrowers, brokers and investors)	That funding is available to support their business objectives	Business development managers were regularly in touch with our customers via video calls and phone calls.	Coming back quickly after the property market reopened (as well as offering a desktop valuation product) to support our customer's requirements.
	Getting a good service and building a trusted relationship	By focussing on service levels and publishing these for the first time this year we demonstrated to customers that operational standards were being maintained.	Becoming a CBILS accredited lender in 2020 to help support borrowers and brokers adversely impacted by the COVID-19.
	Being able to work remotely in an effective manner		Investment in <i>Genesys</i> our proprietary mortgage technology to bring transparency and reduce friction in the loan application process saving the time of our customers.
	Saving time and reducing the friction in the process.	We provide our Self Select platform and fund investors with monthly and quarterly factsheets, including detailed market analysis and portfolio performance.	Further augmentation of our next generation loan origination technology, <i>Genesys</i> , brought greater efficiencies to our loan operations teams and provided our customers with an industry leading service.
	Receiving up to date and relevant information on the status of their loans or investments.	We held online seminars and webinars to continue to educate and inform our customers remotely, including our first remote conference the <i>Broker Kick Off Event</i> held in January 2021.	We continued to invest in our proprietary loan-book management tool (the "Loan Engine"), so that external funds had access to comprehensive real-time reporting of their investments.
	Transparent dealings and high standards of business conduct.		Further integration through API connections with multiple third-party service and data providers together with the development of our rules engine allowed our case managers and underwriters seamless access to thousands of more data points allowing for a faster and more rapid
	Getting prompt assistance if there are any issues.	We track customer engagement through regular surveys asking for feedback. We track customer engagement through Trustpilot and other public forums. Where customers are unhappy, we look at the root cause and look to improve.	

			<p>origination process. Work was also focused to further optimise our online customer portals and application forms allowing for a frictionless and transparent loan application process</p> <p>Calculations to support the cessation of LIBOR reference rate and migration to SONIA and Bank of England Base rates was completed within the year.</p> <p>We continue to augment our data platform and processes ensuring our data is secure, scalable and highly available to our users.</p>
Employees	<p>Culture</p> <p>Remuneration</p> <p>Benefits</p> <p>Learning & Development (opportunities for career progression)</p> <p>Transparency/visibility of the Company's strategic goals/company direction, engagement with the board</p> <p>Work/life balance</p>	<p>We asked all staff to participate bi-weekly in an anonymous company satisfaction survey. We shared the results and feedback both within teams and across the company.</p> <p>Our social activities programme was held remotely. We hosted held a number of virtual social events to enable colleges to re-connect</p> <p>We held remote monthly company updates. These were an opportunity to update everyone on our strategic goals, financial performance and celebrate success across the organisation. They were also an opportunity for all employees to ask questions and put forward suggestions via anonymous polls and a digital suggestion box.</p> <p>We held a virtual "reset week" where we hosted presentations from different business areas, informal networking for colleagues to re-connect and we discussed our future plans and ambitions as we worked</p>	<p>We continued with support from our agile coach to enable teams across the business to work in a more agile way despite working remotely.</p> <p>We rolled out a performance framework based on the company values. This sets out clear expectations of behaviours and performance across LendInvest. Employees and managers undertake quarterly performance check-ins based on this framework to ensure that their goals, learning and development and performance is progressing and being supported.</p> <p>Our Learning and Development manager launched a management development programme for those progressing into management as well as for more experienced managers.</p> <p>We continued to build on our employee learning and development offering with both formal learning support such as supporting CIMA qualifications for our operations team. Our learning academy supports all staff with knowledge transfer and sharing their specialist expertise across the business. We also launched our mentoring scheme, matching</p>

		through the challenges of the pandemic.	mentors and mentees from across the organisation.
		Weekly lunch and learn sessions continued to be hosted by colleagues across the organisation. This enabled employees to share their knowledge throughout the organisation.	We supported working parents who had to manage home schooling and additional child caring responsibilities by being flexible with working hours and enabling them to take time out as necessary.
		Formal and informal networking and catch up sessions with employees to check-in on their wellbeing, to get feedback on how we can improve our remote ways of working and enable them to ask questions in small groups or 121 sessions.	We continued to invest in learning platforms for all employees to access essential training e.g. compliance and technical skills and during 2021 will be launching our employee learning experience platform to bring together all our learning and development activities.
		A Q&A tool and suggestion box was launched to capture and respond to employee questions throughout the pandemic.	We extended our benefit offering including life cover and additional mental health support for employees.
		Our annual review of salaries and benefits package is benchmarked with external market data.	
Shareholders	<p>Company performance (financial and operational)</p> <p>Capital allocation/use of company funds</p> <p>Strategic execution</p> <p>Investment plans</p> <p>Effective/up to date communication</p>	<p>Our Executive Chair is in regular contact with representatives from our key shareholders. Our three largest shareholders (including our two Founders) have a representative on the Board and other large shareholders have representatives with Observer status.</p> <p>Our Board met more regularly during the year, enabling our key shareholders to engage with us throughout the pandemic.</p>	We continued to invest significantly in our technology throughout the year.

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

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

Community

LendInvest sponsors a specific corporate charity each year, in FY 2021 LendInvest was supporting Crohn's & Colitis UK.

LendInvest provides and supports employee volunteering opportunities and supports corporate fundraising campaigns. LendInvest also encourages and supports employees in their own community activities and fundraising efforts, through the provision of time and, where possible, matched financial contributions.

In FY 2021, initiatives included establishing a diversity and inclusion forum, training and supporting the development of apprentices and regular food bank drives.

Environment

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

- Minimising waste and adopting sensible recycling policies in respect of our paper and food consumption
- Providing safe and comfortable working conditions
- Encouraging staff to walk or cycle to work
- Ensuring that electrical equipment and lights are off when not in use
- Use of paperless systems including DocuSign have saved in excess of 22 tonnes of CO2 emissions and 180,000 litres of water

LendInvest also launched an ESG committee, in order to more formally consider and document the work that LendInvest does in this area, ensuring it contributes to our strategic aims.

Events after the reporting date

In May 2021, Michael Evans, the group's Chief Financial Officer was appointed as an Executive Director of LendInvest Limited. The group also grew its Buy-to-Let assets under management to over £1bn - a significant milestone achieved, just 3.5 years after launching the product line.

In June 2021, the company priced the group's third securitisation of £280m of UK prime Buy-to-Let mortgage loans in an oversubscribed RMBS transaction. Citi acted as Sole Arranger, with Citi, HSBC, National Australia Bank and Standard Chartered Bank acting as Joint Lead Managers.

Future developments

The Group continues to monitor the effects of Covid-19 closely while ensuring the business is set up for success.

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

A handwritten signature in black ink, appearing to read 'I. Thomas', is written over a horizontal line.

Ian Thomas
Director
15 June 2021

Directors' report

The directors present their report and the audited consolidated financial statements of the Group for the year ended 31 March 2021.

Future outlook

See the strategic report.

Financial risk management

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

Going concern

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

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

Results and dividends

The results of the Group for the year show a profit from operations of £9.3m (2020: £0.6m). The statutory profit after tax for the year amounted to £4.9m (2020: loss of £2.2m). Statutory profit before tax is stated after recognition of derivative, hedge accounting and fair value losses on an undrawn committed loan facility of £2.0m (see note 12) and non-operating exceptional costs of £0.8m (2020: £2.2m). The Company paid no dividends during the year (2020: £nil) and the directors do not recommend a final dividend.

Research and development

Technology continues to sit at the heart of the Group's business model. We continue to develop our proprietary loan origination software Genesys, as well as our management and investment software. They bring simplicity, speed and certainty to both borrowers and investors, in addition to driving efficiency for the Group. The Group believes that its track record of investment in technology provides LendInvest with a significant competitive advantage.

Streamlined Energy and Carbon Reporting (SECR)

The Group's energy and carbon reporting disclosures are presented pursuant to the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 ("the 2018 Regulations").

Organisational boundary

In accordance with the 2018 Regulations, the energy use and associated greenhouse gas emissions are for those within the UK only that come under the operational control boundary. Therefore, energy use and emissions are aligned with financial reporting for the Group.

Reporting period

The annual reporting period is 1 April to 31 March each year.

Quantification and reporting methodology

The report has been prepared using the UK Government Environmental Reporting Guidelines. The energy consumption data reported is based on the Group's purchase of electricity (scope 2) and business mileage expense (scope 3). This energy data was converted to carbon emissions using emission factors from the Department of Business, Energy & Industrial Strategy.

	Scope	2021 (Energy consumption, kWh)	2021 (Emissions, Tonnes kgCO ₂ e)	2020 (Energy consumption, kWh)	2020 (Emissions, Tonnes kgCO ₂ e)
Purchase of electricity and heat purchased for own use	2	25,490	5,943	53,868	12,559
Employee business travel including flights, train, rental car, own car trips	3	29,823	7,604	154,303	39,341
Total		55,313	13,547	208,171	51,900
Emission intensity (Tonnes of CO ₂ e per £1m of revenue)			75		247

The Group's significant reductions in energy consumption and emissions are largely a result of changes in working practices in response to Covid-19, which has reduced the use of office space and business travel. The Group maintains a committed focus to minimising the environmental impact of operations and sees the reduction of emissions as a key part of this goal.

Political donations

The Company made no political donations during the year (2020: £nil).

Director's responsibilities under the Companies Act 2006

This section of the Director's Report describes how the Directors have had regard to the matters set out in section 172(1). The table below sets out how key decisions taken during the year were impacted by the Group's customers' and stakeholders' needs and how they link to the Group's strategy.

Key decisions in the year	How did the Board take into account the need to foster business relationships with suppliers, customers and others?	How does the decision link to longer term strategy?
Working through the Pandemic	<p>Thanks to our cloud-based infrastructure, the business was able to transition seamlessly to remote working.</p> <p>With valuers unable to access properties for a prolonged period, the team worked quickly to develop a Desktop Valuation product, enabling us to continue providing our products to our customers.</p> <p>In order to operate responsibly as a lender during the pandemic, the business readjusted its lending criteria to reflect a more prudent approach, working with our borrowers to help their projects continue during a tenuous economic period.</p> <p>We further supported our customers by making core improvements to our internal processes and launched new communications initiatives to keep our brokers and borrowers up to date with our latest product updates.</p> <p>We kicked off a new product webinar series, launched broker Slack integrations and prioritised tech projects that would ensure we remained available and ready to lend when our customers needed us.</p> <p>We supported employees by increasing employee communications, moving monthly company updates to weekly meetings to foster our relationships with our employees and keep them updated. We rolled out additional training for managers such as resilience and managing remote teams. We set up a programme of wellbeing events and activities that had a different focus monthly tying in with wider activities in the social and CSR teams.</p>	<p>Working remotely and providing an enhanced range of products, including desktop valuations, enabled us to remain open for business throughout lockdown, linking to our strategic aim to lend more, profitably.</p> <p>Utilising technological efficiencies enabled us to reduce operational expenditure and generate value.</p> <p>Adjusting our lending criteria links to our strategic aim of managing our book sustainably.</p>
Separate Account established with JP Morgan.	<p>The Board recognised a need to offer investment products that are attractive to institutional investors. Separate Accounts are one of those products and not something the company has offered for Long Term Lending before.</p> <p>Additional and diversification of funding is essential for us to continue to fund a greater range of loans to a broader customer base.</p>	<p>Attracts a wide variety of investors, diversifies the company's funding channels and passes credit and liquidity risk to JP Morgan.</p>
Coronavirus Business Interruption	<p>We were delighted to become a CBILS accredited lender in 2020 and were better able to support our borrowers and brokers with CBILS products.</p>	<p>Increases our flexibility and ability to fund loans.</p> <p>Diversifies our lending products.</p>

**Loan Scheme
(CBILS)**

**Adjusting the
Business Plan in
light of the
Pandemic**

The Board regularly reviewed the impact (and anticipated impact) of the pandemic on the business plan. Meeting more regularly (and with the executive team meeting on a daily basis), the impact (and predicted future impact) of the pandemic on our key stakeholders was under constant review.

Making these decisions efficiently and effectively allowed us to continue promoting the long-term sustainable success of the company.

An adjusted business plan was approved by the Board, taking into account the impact on our key stakeholders. The decision was made to cut operational costs, including the use of the furlough scheme and, following that, undertaking a redundancy process. The decision to make redundancies involved an assessment by the Board of the conflicting interests of various stakeholders and a balance was sought in order to best promote the long-term sustainable success of the company.

Events after the reporting date

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Directors

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

Christopher Barnes
Christian Faes
Roderick Lockhart
Ian Thomas
Michael Evans (appointed 26 May 2021)
Angelie Panteli (resigned 30 November 2020)

Qualifying third party indemnity insurance

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

Auditors

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

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

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

BDO LLP have expressed their willingness to continue as auditor.

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

A handwritten signature in black ink, appearing to read 'I. T.' followed by a long horizontal stroke.

Ian Thomas
Director
15 June 2021

Directors' Responsibility Statement

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

The Companies Act 2006 requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International accounting standards in conformity with the requirements of Companies Act 2006. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the statement of profit and loss of the Group and Company for that period.

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

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

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

Independent auditor's report to the members of LendInvest Limited

Opinion on the financial statements

In our opinion the financial statements:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International accounting standards in conformity with the requirements of the Companies Act 2006;
- the Parent Company financial statements have been properly prepared in accordance International accounting standards; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of LendInvest Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 March 2021 which comprise the consolidated statement of profit and loss, the consolidated statement of comprehensive income, the consolidated statement of financial position, the company statement of financial position, the consolidated statement of cash flows, the company statement of cash flows, the consolidated statement of changes in equity and company statement of changes in equity, and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and IFRSs.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group or Parent

Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

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 has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and Parent 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 by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit. ;or
- the Directors were not entitled to prepare the financial statements in accordance with the small companies' regime and take advantage of the small companies' exemptions in preparing the Directors' report and from the requirement to prepare a Strategic report.

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 Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- our responses to significant audit risks (revenue recognition, management override of controls, loan loss provision and valuation and going concern) were intended to sufficiently address the risk of fraudulent manipulation. In particular we have reviewed accounting estimates for any potential management bias to check the methods utilised are appropriate.
- enquiries of management;
- review of minutes of board meetings throughout the period;
- obtaining an understanding of the legal and regulatory framework applicable to the Group's operations;
- obtaining an understanding of the control environment in monitoring compliance with laws and regulations;
- review of correspondence with the Financial Conduct Authority (FCA);

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, 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, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LENDINVEST LIMITED (continued)

A further description of our responsibilities is available on the Financial Reporting Council's website at:

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

Use of our report

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

DocuSigned by:
Ariel Grosberg
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Ariel Grosberg (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
London
15 June 2021

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

Consolidated statement of profit and loss

	Note	Year Ended 31 March 2021	Year Ended 31 March 2020
		£'000	£'000
Interest revenue	6	51,912	44,876
Fee and other income	6	27,220	20,601
Cost of sales	7	(41,507)	(35,226)
Gross profit		37,625	30,251
Gain on derecognition of financial liability		1,361	-
Total operating income		38,986	30,251
Administrative expenses	8	(25,138)	(25,354)
Impairment provisions	20	(4,593)	(4,272)
Profit from operations		9,255	625
Interest income	11	2	77
Finance expense	12	(2,244)	(1,751)
Exceptional costs		(767)	(2,179)
Profit/(Loss) before tax		6,246	(3,228)
Income tax charge/(credit)	13	(1,396)	1,020
Profit/(Loss) after taxation		4,850	(2,208)

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

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

The profit after tax of the parent company for the year was £3.0m (2020: £1.9m).

Consolidated statement of other comprehensive income

	Note	Year Ended 31 March 2021	Year Ended 31 March 2020
		£'000	£'000
Profit / (loss) after taxation		4,850	(2,208)
Other comprehensive income / (loss):			
Items that will or may be reclassified to profit or loss			
Fair value gain / (loss) on loans and advances measured at fair value through other comprehensive income	27	39,939	(7,117)
Cash flow hedge adjustment through other comprehensive income	3	1,668	(4,669)
Fair value adjustments on interest bearing liabilities through other comprehensive income		(1,361)	1,361
Deferred tax (charge) / credit on gross movements through OCI	13	(7,646)	1,981
Other comprehensive gain / (loss) for the year		32,600	(8,444)
Total comprehensive income / (loss) for the year		37,450	(10,652)

Consolidated statement of financial position

	Note	As at 31 March 2021	As at 31 March 2020
		£'000	£'000
Assets			
Cash and cash equivalents	19	62,155	91,609
Trade and other receivables	18	13,124	12,538
Loans and advances	20	1,056,900	786,348
Property, plant and equipment	15	4,619	5,615
Intangible fixed assets	16	5,526	5,357
Derivative financial asset	27	1,926	-
Investment in third parties		30	-
Fair value adjustment for portfolio hedged risk asset	3/27	2,468	3,421
Deferred taxation	13	1,083	3,383
Total assets		1,147,831	908,271
Liabilities			
Trade and other payables	21	(36,859)	(32,896)
Interest bearing liabilities	22	(1,040,165)	(846,164)
Lease liabilities	2	(5,004)	(5,717)
Derivative financial liabilities	27	(8,674)	(12,993)
Fair value adjustment for portfolio hedged risk liability	3/27	(2,425)	-
Deferred taxation	13	(6,457)	(373)
Total liabilities		(1,099,584)	(898,143)
Net Assets		48,247	10,128

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

	Note	As at 31 March 2021	As at 31 March 2020
		£'000	£'000
Equity			
Employee share reserve		1,584	915
Share capital	24	-	-
Share premium	24	17,540	17,540
Fair value reserve	25	27,135	(4,113)
Cash flow hedge reserve	25	(2,430)	(3,782)
Retained earnings	25	4,418	(432)
Total equity		48,247	10,128

The financial statements on pages 25 to 105 were approved and authorised for issue by the Board of Directors on 15 June 2021 and were signed on its behalf by:



Ian Thomas
Director

Company statement of financial position

	Note	As at 31 March 2021 £'000	As at 31 March 2020 £'000
Assets			
Cash and cash equivalents	19	27,940	29,611
Trade and other receivables	18	37,569	30,890
Loans and advances	20	22,007	11,028
Property, plant and equipment	15	4,619	5,615
Intangible assets	16	5,526	5,296
Investment in subsidiaries	17	14	14
Deferred taxation	13	391	283
Total assets		98,066	82,737
Liabilities			
Trade and other payables	21	(20,366)	(17,544)
Interest bearing liabilities	22	(42,074)	(32,486)
Lease liabilities	2	(5,004)	(5,717)
Deferred taxation	13	(100)	(118)
Total liabilities		(67,544)	(55,865)
Net Assets		30,522	26,872

COMPANY STATEMENT OF FINANCIAL POSITION (continued)

	Note	As at 31 March 2021	As at 31 March 2020
		£'000	£'000
Equity			
Employee share reserve		1,584	915
Share capital	24	-	-
Share premium	24	17,540	17,540
Fair value reserve	25	32	18
Retained earnings	25	11,366	8,399
Total equity		30,522	26,872

The financial statements on pages 25 to 105 were approved and authorised for issue by the Board of Directors on 15 June 2021 and were signed on its behalf by:



Ian Thomas
Director

Consolidated statement of cash flows

	Note	Year Ended 31 March 2021	Year Ended 31 March 2020
		£'000	£'000
Cash flow from operating activities			
Profit/ (Loss) after taxation		4,850	(2,208)
Adjusted for:			
Depreciation of property, plant and equipment	15	175	215
Amortisation of intangible assets	16	2,229	1,178
Company share and share option schemes	26	669	460
Interest income	11	(2)	(77)
Income tax expense/(credit)	13	1,396	(1,020)
Derivative, hedge accounting and committed facility fair value losses	3	1,969	2,032
Funding line costs	12	274	-
Impairment provision		4,877	4,414
Depreciation of right of use asset	2/15	933	917
Interest expense - lease liability	2	560	643
Costs relating to abortive market listing		83	2,179
Cancellation of interest bearing liabilities		(7,315)	-
Redemption of interest bearing liabilities		5,954	-
Change in working capital			
(Increase) / decrease in gross loans and advances	20	(235,491)	(409,720)
(Increase) / decrease in trade and other receivables	18	(7,330)	(4,593)
Increase / (decrease) in trade and other payables	21	10,048	4,563
Income taxes paid		-	(93)
Cash used in operating activities		(216,121)	(401,110)

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

	Note	Year Ended 31 March 2021	Year Ended 31 March 2020
	£'000	£'000	£'000
Cash flow from investing activities			
Purchase of property, plant and equipment	15	(8)	(190)
Capitalised development costs	16	(2,398)	(3,356)
Increase in investments in third parties		(30)	-
Interest income	11	2	77
Net cash used in investing activities		(2,434)	(3,469)
Cash flow from financing activities			
Increase in interest bearing liabilities	23	194,001	459,378
Principal elements of finance lease payments	2	(817)	(711)
Interest expense – lease liabilities	2	(560)	(643)
Proceeds from an equity share issue		-	262
Cash settlement of derivative losses		(3,166)	-
Funding line costs	12	(274)	-
Costs relating to abortive market listing		(83)	(2,179)
Net cash generated from financing activities		189,101	456,107
Net (decrease) / increase in cash and cash equivalents		(29,454)	51,528
Cash and cash equivalents at beginning of the period	19	91,609	40,081
Cash and cash equivalents at end of the period	19	62,155	91,609

Company statement of cash flows

	Note	Year Ended March 2021	Year Ended March 2020
		£'000	£'000
Cash flow from operating activities			
Profit after taxation		2,965	1,897
Adjusted for:			
Depreciation of property, plant and equipment	15	175	215
Amortisation of intangible assets	16	2,168	1,039
Company share and share option schemes	26	669	460
Income tax (credit) / expense		241	(957)
Impairment provision	20	402	285
Depreciation of right of use asset	2/15	933	917
Interest expense - lease liabilities	2	560	643
Costs relating to abortive market listing		83	2179
Change in working capital			
(Increase) / decrease in gross loans and advances	20	(11,362)	4,547
(Increase) / decrease in trade and other receivables	18	(7,030)	(3,269)
Increase / (decrease) in trade and other payables	21	2,803	(2,313)
Income taxes paid	13	-	(93)
Cash (used in) / generated from operations		(7,393)	5,550

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)

	Note	Year Ended March 2021	Year Ended March 2020
Cash flow from investing activities			
Purchase of property, plant and equipment	15	(8)	(190)
Capitalised development costs	16	(2,398)	(3,356)
Net cash used in investing activities		(2,406)	(3,546)
Cash flow from financing activities			
Increase in interest bearing liabilities	22	9,588	11,157
Principal elements of finance lease payments		(817)	(711)
Interest expense – lease liabilities		(560)	(643)
Proceeds from an equity share issue		-	262
Costs relating to abortive market listing		(83)	(2,179)
Net cash generated from financing activities		8,128	7,886
Net (decrease) / increase in cash and cash equivalents		(1,671)	9,890
Cash and cash equivalents at beginning of the period	19	29,611	19,721
Cash and cash equivalents at end of the period	19	27,940	29,611

Consolidated statement of changes in equity

	Note	Share capital	Share premium	Employee share reserve	Fair value reserve net of deferred tax	Cash flow hedge reserve net of deferred tax	Retained earnings	Total
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 31 March 2019		-	17,278	455	549	-	2,332	20,614
Transitional impact of adopting IFRS 16 ¹		-	-	-	-	-	(556)	(556)
Balance as at 01 April 2019 (restated)		-	17,278	455	549	-	1,776	20,058
(Loss) after taxation		-	-	-	-	-	(2,208)	(2,208)
Issue of new equity and associated costs		-	262	-	-	-	-	262
Fair value adjustments on loan & advances through OCI		-	-	-	(5,764)	-	-	(5,764)
Fair value Adjustments on interest bearing liabilities through OCI		-	-	-	1,102	-	-	1,102
Cash flow hedge adjustment through OCI		-	-	-	-	(3,782)	-	(3,782)
Employee share options schemes	26	-	-	460	-	-	-	460
Balance as at 31 March 2020		-	17,540	915	(4,113)	(3,782)	(432)	10,128

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)

	Note	Share capital	Share premium	Employee share reserve	Fair value reserve net of deferred tax	Cash flow hedge reserve net of deferred tax	Retained earnings	Total
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
Profit after taxation		-	-	-	-	-	4,850	4,850
Fair value adjustments on loan & advances through OCI		-	-	-	32,350	-	-	32,350
Transfer of gain on derecognition of liability from OCI to retained earnings		-	-	-	(1,102)	-	-	(1,102)
Cash flow hedge adjustment through OCI		-	-	-	-	1,352	-	1,352
Employee share options schemes	26	-	-	669	-	-	-	669
Balance as at 31 March 2021		-	17,540	1,584	27,135	(2,430)	4,418	48,247

Company statement of changes in equity

	Note	Share capital	Share premium	Employee share reserve	Fair value reserve net of deferred tax	Retained earnings	Total
		£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 31 March 2019		-	17,278	455	(2)	7,058	24,789
Transitional impact of adopting IFRS 16 ¹		-	-	-	-	(556)	(556)
Balance as at 31 March 2019		-	17,278	455	(2)	6,502	24,233
Issue of new equity and associated costs		-	262	-	-	-	262
Profit after taxation		-	-	-	-	1,897	1,897
Recognition of employee share options schemes	26	-	-	460	-	-	460
Fair value adjustments on loan & advances		-	-	-	20	-	20
Balance as at 31 March 2020		-	17,540	915	18	8,399	26,872
Profit after taxation		-	-	-	-	2,967	2,967
Employee share option schemes		-	-	669	-	-	669
Fair value adjustments on loan & advances		-	-	-	14	-	14
Balance as at 31 March 2021		-	17,540	1,584	32	11,366	30,522

Notes to the financial statements

1. Basis of preparation and significant accounting policies

1.1 Going concern

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

1.2 Basis of preparation

The financial statements have been prepared in accordance with the Companies Act 2006 and International accounting standards in conformity with the requirements of the Companies Act 2006.

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

The Group maintains its books and records in pound sterling ("£"). The financial statements are presented in pounds sterling, which is the Group's and the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated

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

IBOR reform amendments

For the year ending 31 March 2021, the Group continues to apply the IASB's Phase 1 Amendments to IAS39, IFRS 9 and IFRS7 for IBOR Reform, issued in September 2019. The amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by IBOR reform. The reliefs have the effect that IBOR reform should not generally cause hedge accounting to terminate. Hedge ineffectiveness will continue to be recorded in the income statement. Furthermore, the amendments set out triggers for when the reliefs will end, which include the uncertainty arising from interest rate benchmark reform no longer being present.

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

In August 2020 the IASB issued Phase 2 Amendments to IAS39, IFRS 9 and IFRS7 for IBOR Reform. The Phase 2 amendments provide relief so that:

- When changing the basis for determining contractual cash flows for financial assets and liabilities (including lease liabilities), the effect of the changes that are required by an interest rate benchmark reform (i.e. a direct consequence of IBOR reform and are economically equivalent) will not result in an immediate gain or loss in the income statement.
- The hedge accounting reliefs will allow most IAS 39 or IFRS 9 hedge relationships that are directly affected by IBOR reform to continue. However, additional ineffectiveness might need to be recorded. Cash flows of financial assets and liabilities as a result of a required change in an interest rate benchmark (i.e. as a direct result of IBOR reform) will not result in immediate gain or loss in the income statement.

The Group has not applied Phase 2 amendments for the results presented for the year-ended 31 March 2021, as the transition of any of the Group's existing financial assets and liabilities to an alternative benchmark is yet to take place.

New standards and amendments not yet effective

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 2023.

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

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Group has decided not to adopt early. The following amendments are effective for the period beginning on or after 1 April 2021 and are not expected to have a material impact on the Group:

- IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Definition of an accounting estimate, and distinction between change in accounting estimate and change in accounting policy)
- IFRS 3 Business Combinations (Amendment – Updating reference to conceptual framework)
- IAS 16 Property, Plant and Equipment (Amendment - Prohibits deduction from the cost of assets, the amounts received from selling items produced while preparing asset for intended use)
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendments – Clarification of cost input in determining onerous contracts)
- IFRS 16 Leases (Amendment to extend the practical expedient for COVID-19 related rent concession by 12 months, permitting lessees to apply it to lease payments originally due on or before 30 June 2022)
- IAS 12 Income Taxes (Amendments regarding deferred tax on leases)

1.3 Foreign currency

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

1.4 Cash and cash equivalents

Cash and cash equivalents comprise of cash balances and balances with a maturity of three months or less from the acquisition date which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

1.5 Investments in subsidiaries

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

1.6 Basis of consolidation

Subsidiary companies and other controlled entities

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

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

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

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

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

Business combinations

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

1.7 Revenue recognition

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

Recognised under IFRS 9:

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

Recognised under IFRS 15:

- Asset management, fund and servicing fees represent management, incentive and performance fees and fees received from Separate Account partners and off - balance sheet entities. These fees are recognised in the statement of profit and loss at the time when the contracted performance obligation is performed

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

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

1.8 Fees and commission paid

Fees and commission are recognised as follows:

Recognised under IFRS 9:

- Origination fees, representing valuation and broker fees, are considered as incremental costs that would not have been incurred if the loan had not been originated. These fees are amortised over the life of the loan
- Funding line amortisation of initial funding line set up costs. These are recognised evenly over the life of the facility

Recognised under IFRS 15:

- Asset management, fund and servicing fees, representing introducer fees, and trail commission derived from off balance sheet funds, these costs are recognised as they occur

1.9 Property, plant and equipment

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

1.10 Intangible fixed assets

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

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

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

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

1.12 Administration expenses

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

1.13 Provisions, contingent liabilities and contingent assets

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

1.14 Financial Instruments

Recognition

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

Classification and measurement

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

Financial assets

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

i) At amortised cost

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

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

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

ii) At fair value through other comprehensive income

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

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

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

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

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

iii) At fair value through profit or loss

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

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

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

Financial liabilities

i) At amortised cost

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

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

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

ii) **At fair value through profit or loss**

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

The carrying value of each of the categories described is disclosed in note 27.

Derivatives

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

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

De-recognition

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

1.15 Share capital

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

1.16 Share based payments

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

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

1.17 Current and deferred taxation

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

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affect neither accounting nor taxable profit and loss. Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted at the year-end date and are

expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax balances are not discounted. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

1.18 Dividends

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

1.19 Write-offs

Loans and advances are written off (either partially or in full) when there is no reasonable prospect of recovery. This is generally the case when the primary security has been realised and the Group is unable to reach an agreement with the borrower for immediate or short-term repayment of the amounts subject to the write-off. Financial assets that are written off can still be subject to enforcement activities in order to recover amounts due. Amounts subsequently recovered on assets previously written off are recognised in impairment losses on financial assets in the statement of profit and loss.

1.20 Critical accounting estimates and judgements

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

Judgements

Consolidated Financial Statements

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

The Group has a number of associated entities that it considers for consolidation under IFRS 10. Control is reassessed and judgement is used whenever facts and circumstances indicate that there may be a change in these elements of control.

Significant increase in credit risk

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

Fair value measurement

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

Estimates and assumptions

Fair value measurement

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

Level 1: Quoted prices in active markets for identical items

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

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

See note 27 for more detailed information related to fair value measurement.

Expected Credit Loss Calculation

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

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

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

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

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

Sensitivity Analysis on ECL models

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

- A 100% downside was applied to all the models. This would increase the ECL by £1.1m
- A 10% increase in the forced sale discount. This would increase the ECL by £0.4m

Valuation of share based payments

Estimating the fair value for share based payment transactions requires determination of the most appropriate valuation method, which depends on the terms and conditions of the award. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and the dividend yield and making assumptions about them. The Group uses a Black-Scholes option pricing model for the employee share scheme. The assumptions for estimating the fair value for share based payment transactions are disclosed in note 25.

1.21 Non-recurring items

Derecognition of financial liability

The Group repurchased an externally held bond in the prior reporting period for a value below par, recording a gain through other comprehensive income. The bond was subsequently cancelled in the current reporting period resulting in the realisation of a gain on the derecognition of a financial liability through the Group's consolidated statement of profit and loss.

Exceptional costs

The Group incurred costs as a result of a restructuring programme during the year under review. Costs relating to an abortive market listing in the prior period were also recorded during the year. Both costs are deemed infrequent and are recognised in the consolidated statement of profit and loss as exceptional costs.

2. Leases

The Group reports its leases as prescribed by IFRS 16. The Group is a lessee in a property lease arrangement in which treatment of the lease components are as follows:

Right-of-use assets

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

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

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

Lease liabilities

At the lease commencement date, the Group recognises a lease liability measured at the present value of the lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives

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

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

Lease term

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

	Right-of-use leasehold property	Lease liabilities
	£'000	£'000
As at 1 April 2020	5,131	5,717
Additions	104	104
Depreciation expense	(933)	-
Interest expense	-	560
Payments – Interest	-	(560)
Payments - Principal	-	(817)
As at 31 March 2021	4,302	5,004

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

Year ended 31 March 2021	Administrative expenses	Interest expense	Total
	£'000	£'000	£'000
Depreciation expense of right-of-use-asset	933	-	933
Interest expense on lease liabilities	-	560	560
Total recognised in the statement of profit and loss	933	560	1,493

3. Derivatives and hedge accounting

3.1 Hedge accounting

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

When transactions meet the criteria of the applicable standard:

the Group applies the requirements of IFRS 9 when hedge accounting for variability in cash flows of a financial asset or liability (cash flow hedge accounting)

the Group applies the requirements of IAS 39 for its fair value hedge of interest rate risk of a portfolio of financial assets or liabilities (macro fair value hedge accounting)

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

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

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

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

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

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

The Group discontinues hedge accounting when:

- the hedge relationship matures;

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

3.1.1 Fair value hedge accounting

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

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

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

3.1.2 Cash flow hedge accounting

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

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

3.2 Gains/ Losses from derivatives and hedge accounting

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

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

Losses from derivatives hedge accounting	Year ended 31 March 2021	Year ended 31 March 2020
	£'000	£'000
Losses from fair value hedge accounting	(187)	(225)
Losses from cash flow hedge accounting	-	-
Fair value losses from other derivatives ²	-	(1,807)
Total	(187)	(2,032)

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

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

3.3 Fair value hedge accounting

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

Year ended 31 March 2021

Hedged item balance sheet	Hedging Instrument	Risk Category	Hedged Item ¹	Instrument ¹	Ineffectiveness
			£'000	£'000	£'000
Loans to customers	Interest rate swaps	Interest rate: LIBOR	(2,425)	2,238	(187)

Year ended 31 March 2020

Hedged item balance sheet	Hedging Instrument	Risk Category	Hedged Item ¹	Instrument ¹	Ineffectiveness
			£'000	£'000	£'000
Loans to customers	Interest rate swaps	Interest rate: LIBOR	3,421 ²	(3,646)	(225)

¹Change in fair value used in determining hedge ineffectiveness.

² £0.8m of £3.4m of losses deferred in prior year amortised and realised through statement of profit and loss

3.4 Cash flow hedge accounting

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

Year ended 31 March 2021

Hedged item balance sheet classification	Hedging Instrument	Risk Category	Hedged Item ¹	Instrument ¹	Hedge ineffectiveness recognised in income statement ²	Net amounts deferred to other comprehensive income
			£'000	£'000	£'000	£'000
Interest bearing liabilities	Interest rate swaps	Interest rate: Sonia	531	(537)	(6)	(537)

Year ended 31 March 2020

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

¹Change in fair value used in determining hedge ineffectiveness.

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

The movement on the cash flow hedge reserve between reporting periods is driven by the recycling of £2.2m of deferred losses into the Group's statement of profit and loss offset by further fair value losses as a result of adverse changes in the underlying index.

3.5 Derivatives by instrument and hedge type

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

	As at 31 March 2021			As at 31 March 2020		
	Notional Amount £'000	Fair value – Assets £'000	Fair value – Liabilities £'000	Notional Amount £'000	Fair value – Assets £'000	Fair value – Liabilities £'000
Macro fair value hedge:						
LIBOR indexed interest rate swaps	221,933	1,926	-	16,700	-	(116)
Cash flow hedge:						
Sonia indexed interest rate swaps	496,007	-	(8,674)	542,633	-	(12,590)
Not subject to hedge accounting:						
LIBOR indexed interest rate swaps	-	-	-	42,300	-	(287)
Total	717,940	1,926	(8,674)	601,633	-	(12,993)

3.6 Contractual maturity of hedging instruments notional amounts

As at 31 March 2021	Less than one year £'000	Between one and five years £'000	Total £'000
Macro fair value hedge:			
LIBOR indexed interest rate swaps	1,193	220,740	221,933
Cash flow hedge:			
Sonia indexed interest rate swaps	59,236	436,771	496,007
Total	60,429	657,511	717,940

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

4. Financial risk management

General objectives, policies and processes

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

Risk factors

The Group has exposure to the following risks from its use of financial instruments: credit risk, liquidity risk, interest rate risk.

Further details regarding these policies are set out below:

(i) Credit risk management

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

	31 March 2021	31 March 2020
Assets	£'000	£'000
Loans and advances	1,056,900	786,348
Trade and other receivables	4,218	4,390
Cash and cash equivalents	62,155	91,609
	1,123,273	882,347

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

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

The fair value of cash and cash equivalents at 31 March 2021 and 31 March 2020 approximates the carrying value. Further details regarding cash and cash equivalents can be found in note 19. Credit risk relating to cash and cash equivalents is mitigated as cash and cash equivalents are held with reputable institutions.

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

(ii) Liquidity risk management

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 March 2021	Carrying amount	Gross nominal inflow/ (outflow)	Amount due within one year	Amount due between one and five years	Amount due after five years
	£'000	£'000	£'000	£'000	£'000
Financial assets					
Cash and cash equivalents	62,155	62,155	62,155	-	-
Trade and other receivables	4,218	4,218	2,983	1,235	-
Loans and advances	1,056,900	1,572,336	307,857	129,153	1,135,326
Derivative financial asset	1,926	1,926	(5)	1,931	-
	1,125,199	1,640,635	372,990	132,319	1,135,326
Financial liabilities					
Trade and other payables	(35,720)	((35,720))	(35,720)	-	-
Interest bearing liabilities	(1,040,165)	((1,093,543))	(29,843)	(1,063,700)	-
Derivative financial liability	(8,674)	(8,674)	(5,192)	(3,482)	-
Lease liability	(5,004)	(5,004)	(861)	(4,143)	-
	(1,089,563)	(1,142,941)	(71,616)	(1,071,325)	-

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

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

(iii) Interest rate risk management

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

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

See note 3 and 28 for further details on the derivatives held by the Group.

(iv) Interest rate sensitivity

The sensitivity analysis below has been determined based on the exposure to interest rates as at the reporting date. This analysis assumes a 100 basis point change which represents the board's assessment of a reasonable change in interest rates. All other variables are held constant.

	Profit or Loss		Equity (net of tax)	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
31 March 2021	£'000	£'000	£'000	£'000
Interest rate swaps	9,257	(5,979)	(2,112)	(15,349)
31 March 2020				
Interest rate swaps	1,840	(19,196)	6,156	(27,161)

The Group designates its portfolio of interest rate swaps in a fair value or cash flow hedge. The indicative figures in the above profit and loss columns represent a fair value change in interest rate swaps designated in a fair value hedge, these changes are mostly offset in the Group's statement of profit or loss by an equivalent change in fair value of the hedged items. Figures in the equity columns represent fair value changes in interest rate swaps designated in a cash flow hedge relationship, in the event of such a change the Group will benefit from offsetting lower interest payments on the indexed liabilities hedged by the swaps.

(v) Capital management

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

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

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

5. Segmental analysis

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

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

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

Short term lending

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

Buy-To-Let lending

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

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

Year Ended 31 March 2021	Short term lending	Buy-To-Let lending	Total
Statement of profit and loss information	£'000	£'000	£'000
Revenue	46,341	32,791	79,132
Cost of sales	(18,591)	(22,916)	(41,507)
Gross profit	27,750	9,875	37,625

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

As at 31 March 2021	Short term lending	Buy-To-Let lending	Total
Statement of financial position information	£'000	£'000	£'000
Loans and advances	282,526	774,374	1,056,900

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

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

6. Revenue

	Year Ended 31 March 2021	Year Ended 31 March 2020
	£'000	£'000
Interest on loans and advances	51,912	44,876
Origination fees	13,536	13,059
Asset management, fund and servicing fees*	13,684	7,542
	79,132	65,477

*Includes £4.1m received on transfer of a portfolio of buy-to-let mortgages at inception of Separate Account partnership with JPM, culminating in a derecognition event.

7. Cost of sales

	Year Ended 31 March 2021	Year Ended 31 March 2020
	£'000	£'000
Interest expense	(28,893)	(24,756)
Funding line costs	(3,728)	(3,665)
Origination costs	(7,788)	(5,600)
Asset management and fund fees	(1,098)	(1,205)
	(41,507)	(35,226)

8. Profit from operations

Profit from operations has been stated after charging:

	Year Ended 31 March 2021	Year Ended 31 March 2020
	£'000	£'000
Wages and salaries	13,008	14,194
Depreciation and amortisation	2,404	1,393
Depreciation of right of use asset	933	917
Interest expense – lease liabilities	560	643
Fees payable to the auditors for the audit of the financial statements	377	336
Audit related assurance services	91	68
Fees payable to the auditors for other assurance services	-	385
Share based payment charge	669	460
Research & Development	-	1,500

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

9. Employee benefit expense

Employee benefit expense (including directors) comprises:

The Group and Company

	Year Ended 31 March 2021	Year Ended 31 March 2020
	£'000	£'000
Wages and salaries	13,008	14,194
Defined contribution pension cost	396	434
Share based payment charge	669	460
Social security contributions and similar taxes	1,506	1,639
	15,579	16,727

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

10. Number of employees

The average monthly number of employees during the year was:

The Group and Company

	Year Ended 31 March 2021	Year Ended 31 March 2020
	Number	Number
Technology and product	39	53
Operations and administration	111	116
Sales and marketing	31	41
	181	210

Key management personnel compensation

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

	Year Ended 31 March 2021	Year Ended 31 March 2020
	£'000	£'000
Salary	776	585
Short-term non-monetary benefits	4	3
Defined contribution pension cost	14	9
	794	597

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

11. Interest income

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

	Year Ended 31 March 2021	Year Ended 31 March 2020
	£'000	£'000
Interest on bank deposits	2	77
	2	77

12. Finance expense

	Year Ended 31 March 2021	Year Ended 31 March 2020
	£'000	£'000
Fair value loss from derivatives and hedge accounting	(96)	(2,032)
Hedging break costs	(1,788)	-
Fair value movements on undrawn committed loan facility through P&L ¹	(86)	281
Other funding costs	(274)	-
	(2,244)	(1,751)

¹Fair value movements through profit and loss arise as a result of one loan within the lending portfolio being subject to a committed facility. The undrawn committed facility and amount subject to fair value through profit and loss as at 31 March 2021 is £20.4m (2020: £27.7m).

13. Taxation on profit on ordinary activities

	Year Ended 31 March 2021	Year Ended 31 March 2020
	£'000	£'000
Tax expense		
Current tax:		
Current tax on loss for the year	658	-
Adjustments in respect of prior periods	-	(110)
Foreign taxes	-	2
Total current tax charge/(credit)	658	(108)
Deferred tax:		
Origination and reversal of temporary differences	531	(675)
Adjustments in respect of prior periods	207	(237)
Total deferred tax charge/(credit)	738	(912)
Total tax charge/(credit)	1,396	(1,020)

The tax charge on the profit for the year is different to the notional tax charge calculated at the UK corporation tax rate of 19%. The differences are explained below:

Profit/(loss) before tax	6,246	(3,228)
Profit/(loss) before tax multiplied by the standard rate of corporation tax of 19%	1,187	(613)
Tax effects of:		
Non- deductible expenses	18	429
Foreign taxes	-	2
Research and development tax credit	(16)	(491)
Over provision of current tax	-	(110)
Over provision of deferred tax	207	(237)
Total tax charge/(credit)	1,396	(1,020)

Factors that may affect future tax charges

The reduction to the UK corporation tax rate from 19% to 17% (originally to be effective 1 April 2020) has now been reversed and the reversal was substantively enacted on 17 March 2020. In March 2021, it was announced in Budget 2021

that the main rate of UK corporation tax will rise to 25% from 1 April 2023. Since the proposal to increase the rate to 25% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements.

Deferred taxation

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

The Group

	The Group		The Company	
	Year Ended 31 March 2021	Year Ended 31 March 2020	Year Ended 31 March 2021	Year Ended 31 March 2020
	£'000	£'000	£'000	£'000
Deferred tax assets	1,083	3,383	391	283
Deferred tax liabilities	(6,457)	(373)	(100)	(118)
Net deferred tax assets / (liabilities)	(5,374)	3,010	291	165

The Group and Company

The movements during the year are analysed as follows:

	The Group		The Company	
	Year Ended 31 March 2021	Year Ended 31 March 2020	Year Ended 31 March 2021	Year Ended 31 March 2020
	£'000	£'000	£'000	£'000
Net deferred tax assets / (liabilities) at the beginning of the year	3,010	(12)	165	(40)
Opening transition adjustment	-	129	-	129
Credit/(charge) to the statement of profit and loss for the year	(531)	675	47	111
Credit/(charge) to other comprehensive income	(7,646)	1,981	(4)	(4)
Over provision of deferred tax	(207)	237	83	(31)
Net deferred tax assets / (liabilities) at the end of the year	(5,374)	3,010	291	165

Category of deferred tax**The Group**

	Opening Balance	Opening Balance Adjustment	(Charge) / Credit to the statement of profit and loss – CY	(Charge) / Credit through OCI - CY	(Charge) / Credit to the statement of profit and loss - PY	Closing Balance
	£'000	£'000	£'000		£'000	£'000
2021						
Property, plant and equipment	(114)	-	50	-	(28)	(92)
Share and share option schemes	173	-	127	-	-	300
IFRS 16 transitional adjustment	110	-	(20)	-	-	90
Fair value on loans & advances	1,224	-	-	(7,589)	-	(6,365)
Fair Value on interest bearing liabilities	(259)	-	-	259	-	-
Cash flow hedge adjustment	887	-	-	(316)	-	571
IFRS 9 ECL Provision	140	-	(18)	-	-	122
Losses	849	-	(670)	-	(179)	-
	3,010	-	(531)	(7,646)	(207)	(5,374)

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

The deferred tax asset in respect of tax losses carried forward at 31 March 2020 was recognised on the basis that profit projections predicted it would be utilised by the year ending 31 March 2023. It has been fully utilised in the year ending 31 March 2021.

The Company

	Opening Balance	Opening Balance Adjustment	Credit/ (Charge) to the statement of profit and loss – CY	Credit/ (Charge) through OCI - CY	Credit/ (Charge) to the statement of profit and loss - PY	Closing Balance
	£'000	£'000	£'000		£'000	£'000
2021						
Property, plant and equipment	(114)	-	50	-	(28)	(92)
Share and share option schemes	173	-	127	-	-	300
IFRS 16 transitional adjustment	110	-	(20)	-	-	90
Fair value on loans & advances	(4)	-	-	(4)	-	(8)
Losses	-	-	(110)	-	111	1
	165	-	47	(4)	83	291
2020						
Property, plant and equipment	(126)	-	43	-	(31)	(114)
Share and share option schemes	86	-	87	-	-	173
IFRS 16 transitional adjustment	-	129	(19)	-	-	110
Fair value on loans & advances	-	-	-	(4)	-	(4)
	(40)	129	111	(4)	(31)	165

At 31 March 2021, the Company had no unrecognised deferred taxation assets (2020: £nil).

14. Dividends

The Company paid no dividends during the year (2020: £nil).

15. Property, plant and equipment

The Group and Company

	Computer equipment	Furniture and fittings	Leasehold improvements	Right of use asset	Total
Cost	£'000	£'000	£'000	£'000	£'000
Balance as at 31 March 2019	506	305	840	-	1,651
Implementation of IFRS 16	-	-	-	6,048	6,048
Additions	58	122	10	-	190
Transfer of assets	-	-	(554)	-	(554)
Balance as at 31 March 2020	564	427	296	6,048	7,335
Additions	8	-	-	104	112
Balance as at 31 March 2021	572	427	296	6,152	7,447
Accumulated depreciation and impairment	£'000	£'000	£'000	£'000	£'000
Balance as at 31 March 2019	318	190	263	-	771
Charge for the year	110	76	29	917	1,132
Transfer of assets	-	-	(183)	-	(183)
Balance as at 31 March 2020	428	266	109	917	1,720
Charge for the year	87	58	30	933	1,108
Balance as at 31 March 2021	515	324	139	1,850	2,828
Net carrying value as at 31 March 2021	57	103	157	4,302	4,619
Net carrying value as at 31 March 2020	136	161	187	5,131	5,615

Lease commitment

Future minimum payments under non-cancellable leases

	Year Ended 31 March 2021	Year Ended 31 March 2020
	£'000	£'000
Premises		
Due within a year	1,282	1,282
Due between 1 - 5 years	4,563	5,126
Due later than 5 years	-	719
	5,845	7,127

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

16. Intangibles**The Group**

During the year ended 31 March 2021, the Group assessed the requirements of IAS 38 and identified that it had incurred expenditure on intangible assets that met the criteria for capitalisation.

	Software licences	Internally developed Software	Total
	£'000	£'000	£'000
Cost			
Balance as at 31 March 2019	720	3,079	3,799
Additions	10	3,346	3,356
Balance as at 31 March 2020	730	6,425	7,155
Additions	-	2,398	2,398
Balance as at 31 March 2021	730	8,823	9,553

	Software licences	Internally developed software	Total
	£'000	£'000	£'000
Accumulated amortisation and impairment			
Balance as at 31 March 2019	204	416	620
Charge for the year	142	1,036	1,178
Balance as at 31 March 2020	346	1,452	1,798
Charge for the year	103	2,126	2,229
Balance as at 31 March 2021	449	3,578	4,027
Net carrying value as at 31 March 2021	281	5,245	5,526
Net carrying value as at 31 March 2020	384	4,973	5,357

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

The Company

	Software licences	Internally developed software	Total
	£'000	£'000	£'000
Cost			
Balance as at 31 March 2019	370	3,079	3,449
Additions	10	3,346	3,356
Balance as at 31 March 2020	380	6,425	6,805
Additions	-	2,398	2,398
Balance as at 31 March 2021	380	8,823	9,203

	Software licences £'000	Internally developed software £'000	Total £'000
Accumulated amortisation and impairment			
Balance as at 31 March 2019	54	416	470
Charge for the year	3	1,036	1,039
Balance as at 31 March 2020	57	1,452	1,509
Charge for the year	42	2,126	2,168
Balance as at 31 March 2021	99	3,578	3,677
Net carrying value as at 31 March 2021	281	5,245	5,526
Net carrying value as at 31 March 2020	323	4,973	5,296

17. Investment in subsidiaries

The Company

	Year Ended 31 March 2021 £'000	Year Ended 31 March 2020 £'000
As at 1 April	14	14
As at 31 March	14	14

NOTES TO THE FINANCIAL STATEMENTS (continued)

The Company owned either directly or indirectly, 100% of the share capital of the following subsidiaries as at 31 March 2021:

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

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

At 31 March 2021 the Group has consolidated the following entities in which it does not hold an equity share.

Entity Name	Principal Activities
BTL Limited No. 1 Ltd	Warehouse vehicle
BTL Limited No. 2 Ltd	Warehouse vehicle
Mortimer BTL 2019-1 PLC	Securitisation vehicle
Mortimer BTL 2019-1 Parent Ltd	Holding company for securitisation vehicle
Mortimer BTL 2020-1 PLC	Securitisation vehicle
Mortimer BTL 2020-1 Parent Ltd	Holding company for securitisation vehicle
Puma BTL Ltd	Securitisation vehicle

The basis of consolidation for these entities has been assessed under the control framework prescribed by IFRS 10.

Control is achieved when the Group:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect returns

If facts and circumstances indicate that there are changes to one or more of the three elements of control listed above, the Group reassesses whether or not it controls an investee.

18. Trade and other receivables

The Group

	Year Ended 31 March 2021	Year Ended 31 March 2020
	£'000	£'000
Due within one year		
Trade receivables	2,249	1,941
Other receivables:		
• Prepayments and accrued income	8,906	8,069
• Corporate tax receivable	-	79
• Other receivables	734	1,214
Due after one year		
Rent deposit	1,235	1,235
	13,124	12,538

The Company

	Year Ended 31 March 2021	Year Ended 31 March 2020
	£'000	£'000
Due within one year		
Trade receivables	34,133	27,813
Other receivables:		
• Prepayments and accrued income	2,046	1,752
• Other receivables	155	90
• Corporate tax receivable	-	-
Due after one year		
Rent deposit	1,235	1,235
	37,569	30,890

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

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

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

	Year Ended 31 March 2021	Year Ended 31 March 2020
	£'000	£'000
Cash and cash equivalents	57,286	81,983
Trustees' account	4,869	9,626
	62,155	91,609

The Company

	Year Ended 31 March 2021	Year Ended 31 March 2020
	£'000	£'000
Cash and cash equivalents	23,071	19,985
Trustees' account	4,869	9,626
	27,940	29,611

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

20. Loans and advances**The Group**

	Year Ended 31 March 2021	Year Ended 31 March 2020
	£'000	£'000
Gross loans and advances	1,031,690	798,491
ECL provision	(8,483)	(5,985)
Fair value adjustment ¹	33,693	(6,158)
Loans and advances	1,056,900	786,348

¹Fair value adjustment to gross loans and advances due to classification as FVOCI, based on the Group's business model for managing these financial assets. The significant year on year increase is due to a reduction between reporting dates in market discount rates used in calculating the fair value of the Group's Buy-To-Let loans.

ECL provision

Movement in the period	£'000
Under IFRS 9 at 1 April 2020	(5,985)
Additional provisions made during the period ¹	(5,347)
Utilised in the period ²	2,849
Under IFRS 9 at 31 March 2021	(8,483)

NOTES TO THE FINANCIAL STATEMENTS (continued)

¹The ECL provision of £8.5m is stated including the expected credit losses incurred on the interest income recognised on stage 3 loans and advances. The net ECL impact on the income statement for the year is £5.3m (2020: £5.1m). This includes the £4.6m (2020: £4.3m) of impairment provisions shown in the income statement and the total impact of expected credit losses on income recognised on stage 3 loans and advances using the effective interest rate of £0.7m (2020: £0.8m).

²Loans that are written off can still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due. The contractual amount outstanding on loans and advances that have previously been written off and are still subject to enforcement activity is £12.2m (2020: £10.9m).

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

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

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

Analysis of loans and advances by stage

Year Ended 31 March 2021	Stage 1	Stage 2	Stage 3	POCI	Total
	£'000	£'000	£'000	£'000	£'000
Gross loans and advances	777,744	221,600	32,346	-	1,031,690
ECL provision	(627)	(1,719)	(6,137)	-	(8,483)
Fair value adjustment	27,459	5,879	355	-	33,693
Loans and advances	804,576	225,760	26,564	-	1,056,900

The maximum LTV on stage 1 loans is 82%. The maximum LTV on stage 2 loans is 101%. The maximum LTV on Stage 3 loans is 132% and the total value of collateral (capped at the gross loan value) held on stage 3 loans is £30.7m.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Year Ended 31 March 2020	Stage 1	Stage 2	Stage 3	POCI	Total
	£'000	£'000	£'000	£'000	£'000
Gross loans and advances	613,960	148,917	35,184	430	798,491
ECL provision	(294)	(1,216)	(4,468)	(7)	(5,985)
Fair value adjustment	(6,038)	(352)	206	26	(6,158)
Loans and advances	607,628	147,349	30,922	449	786,348

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

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

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

Where there is objective evidence that asset quality has improved asset will be allocated to a lower risk category for example loans no longer in default (stage 3) will be allocated to either stage 2 or stage 1.

Evidence that asset quality has improved will include:

- Repayment of Arrears
- Improved credit worthiness
- Term extensions the ability to service outstanding debt

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

The impairment loss provisions under IFRS 9 is calculated using macroeconomic variables, in particular UK house price inflation and unemployment, and the probability weightings of the macroeconomic scenarios used. The Group has used

three macroeconomic scenarios, which are considered to represent a range of possible outcomes over a normal economic cycle, in determining impairment loss provisions:

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

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

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

An increased weighting was applied to the short-term lending models downside scenario compared to the BTL model for the year ended 31 March 2020 due to the Covid-19 pandemic and the Group's expectation of a reduction of property values. For prudence, this additional downside has been maintained at 31 March 2021.

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.

The underlying methodology on which the ECL model is based has not changed from the financial statements dated 31 March 2020. The macroeconomic data inputs have been updated as at 31 March 2021.

Movement analysis of loans by stage

	Stage 1	Stage 2	Stage 3	POCI	Total
	£'000	£'000	£'000	£'000	£'000
As at 1 April 2020	607,628	147,349	30,922	449	786,348
Transfer to stage 1	53,793	(53,664)	(129)	-	-
Transfer to stage 2	(79,367)	88,687	(9,320)	-	-
Transfer to stage 3	(13,366)	(5,660)	19,026	-	-
New financial assets originated	417,392	-	-	-	417,392
New financial assets originated and transferred to Stage 2 or Stage 3	(86,985)	86,985	-	-	-
Financial assets which have repaid	(80,249)	(42,905)	(5,839)	(449)	(129,442)
Balance movements in loans	(14,270)	4,968	(5,247)	-	(14,549)
Write-offs	-	-	(2,849)	-	(2,849)
Total movement in loans & advances	196,948	78,411	(4,358)	(449)	270,552
As at 31 March 2021	804,576	225,760	26,564	-	1,056,900

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

Movement analysis of ECL by stage

	Stage 1	Stage 2	Stage 3	POCI	Total
	£'000	£'000	£'000	£'000	£'000
As at 1 April 2020	294	1,216	4,468	7	5,985
Transfer to stage 1	430	(418)	(12)	-	-
Transfer to stage 2	(36)	43	(7)	-	-
Transfer to stage 3	(9)	(4)	13	-	-
New financial assets originated ¹	805	-	-	-	805
New financial assets originated and transferred to Stage 2 or Stage 3	(481)	481	-	-	-
Financial assets which have repaid ²	(50)	(252)	(395)	(7)	(704)
Changes in models / risk parameters	(326)	653	4,226	-	4,553
Adjustments for interest on impaired loans	-	-	693	-	693
Write-offs ³	-	-	(2,849)	-	(2,849)
Total movement in impairment provision	333	503	1,669	(7)	2,498
As at 31 March 2021	627	1,719	6,137	-	8,483

¹The associated gross value at 31 March 2021 of new financial assets originated in the year was £408.3m.

²The associated gross value of financial assets at year ended 31 March 2020 which have repaid in the year was £132.4m

³The gross value of financial assets written off in the year is the same as the movement in the loss provision

The Group held 2 POCI loans at 31 March 2020. During the year to 31 March 2021, these were redeemed. No further POCI loans were originated during the year to 31 March 2021 and thus, none are held at 31 March 2021.

The Company held no POCI loans during the year to 31 March 2021.

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

¹The associated gross value at 31 March 2020 of new financial assets originated in the year was £517.7m

²The associated gross value of financial assets at year ended 31 March 2019 which have repaid in the year was £96.7m

³The gross value of financial assets written off in the year is the same as the movement in the loss provision

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

Credit risk on gross loans and advances

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

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

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

Year Ended 31 March 2021	Stage 1	Stage 2	Stage 3	POCI	Total
	£'000	£'000	£'000	£'000	£'000
Risk Grades 1 - 5	661,031	37,549	-	-	698,580
Risk Grades 6 - 10	105,354	101,874	-	-	207,228
Risk Grade 11 -15	11,359	70,843	-	-	82,202
Risk Grade 16 - 17	-	11,334	-	-	11,334
Default	-	-	32,346	-	32,346
Total	777,744	221,600	32,346	-	1,031,690

Year Ended 31 March 2020	Stage 1	Stage 2	Stage 3	POCI	Total
	£'000	£'000	£'000	£'000	£'000
Risk Grades 1 - 5	455,941	28,381	-	449	484,771
Risk Grades 6 - 10	130,230	71,294	-	-	201,524
Risk Grade 11 -15	20,468	44,413	-	-	64,881
Risk Grade 16 - 17	989	3,261	-	-	4,250
Default	-	-	30,922	-	30,922
Total	607,628	147,349	30,922	449	786,348

The Company

	Year Ended 31 March 2021	Year Ended 31 March 2020
	£'000	£'000
Gross loans and advances ¹	22,867	11,589
ECL provision	(902)	(583)
Fair value adjustment ²	42	22
Loans and advances	22,007	11,028

¹Included in gross loans and advances is £21.0m (2020: £9.9m) of loans made to group entities. The ECL provision on these loans is not material.

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

ECL provision

Movement in the period	£'000
Under IFRS 9 at 1 April 2020	(583)
Additional provisions made during the period	(419)
Utilised in the period	100
Under IFRS 9 at 31 March 2021	(902)
Movement in the period	£'000
Under IFRS 9 at 1 April 2019	(356)
Additional provisions made during the period	(289)
Utilised in the period	62
Under IFRS 9 at 31 March 2020	(583)

Analysis of loans and advances by stage

Year ended 31 March 2021	Stage 1	Stage 2	Stage 3	Total
	£'000	£'000	£'000	£'000
Gross loans and advances	21,158	913	796	22,867
ECL provision	(689)	(3)	(210)	(902)
Fair value adjustment	-	1	41	42
Loans and advances	20,469	911	627	22,007

Year ended 31 March 2020	Stage 1	Stage 2	Stage 3	Total
	£'000	£'000	£'000	£'000
Gross loans and advances	9,931	458	1,200	11,589
ECL provision	(379)	(17)	(187)	(583)
Fair value adjustment	-	15	7	22
Loans and advances	9,552	456	1,020	11,028

Movement analysis of loans by stage

	Stage 1	Stage 2	Stage 3	Total
	£'000	£'000	£'000	£'000
As at 1 April 2020	9,552	456	1,020	11,028
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	109	(109)	-
Transfer to stage 3	(12)	(41)	53	-
New financial assets originated	110	-	-	110
New financial assets originated and transferred to Stage 2 or Stage 3	(105)	105	-	-
Financial assets which have repaid	(21)	(185)	(355)	(561)
Balance movements in loans	10,945	467	118	11,530
Write-offs	-	-	(100)	(100)
Total movement in loans & advances	10,917	455	(393)	10,979
As at 31 March 2021	20,469	911	627	22,007

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

Movement analysis of ECL by stage

	Stage 1	Stage 2	Stage 3	Total
	£'000	£'000	£'000	£'000
As at 1 April 2020	379	17	187	583
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	-	-	-	-
New financial assets originated	-	-	-	-
New financial assets originated and transferred to Stage 2 or Stage 3	-	-	-	-
Financial assets which have repaid ¹	-	(7)	(145)	(152)
Changes in models / risk parameters	310	(7)	241	544
Adjustments for interest on impaired loans	-	-	27	27
Write-offs ²	-	-	(100)	(100)
Total movement in impairment provision	310	(14)	23	319
As at 31 March 2021	689	3	210	902

¹The associated gross value of financial assets at year ended 31 March 2020 which have repaid in the year was £0.7m

²The gross value of financial assets written off in the year is the same as the movement in the loss provision

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

¹The associated gross value at 31 March 2020 of new financial assets originated in the year was £0.3m

²The associated gross value of financial assets at year ended 31 March 2019 which have repaid in the year was £0.3m

³The gross value of financial assets written off in the year is the same as the movement in the loss provision

Credit risk on gross loans and advances

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

Year ended 31 March 2021	Stage 1	Stage 2	Stage 3	Total
	£'000	£'000	£'000	£'000
Risk Grades 1 – 5	21,103	13	-	21,116
Risk Grades 6 - 10	24	100	-	124
Risk Grade 11 -15	31	701	-	732
Risk Grades 16 - 17	-	99	-	99
Default	-	-	796	796
Total	21,158	913	796	22,867

Year ended 31 March 2020	Stage 1	Stage 2	Stage 3	Total
	£'000	£'000	£'000	£'000
Risk Grades 1 – 5	9,537	55	-	9,592
Risk Grades 6 - 10	6	216	-	222
Risk Grade 11 -15	9	161	-	170
Risk Grades 16 - 17	-	24	-	24
Default	-	-	1,020	1,020
Total	9,552	456	1,020	11,028

21. Trade and other payables

The Group

	Year Ended 31 March 2021	Year Ended 31 March 2020
	£'000	£'000
Trade payables	17,016	16,797
Other payables:		
• Corporation tax	575	(4)
• Taxes and social security costs	564	627
• Accruals and deferred income	18,704	15,476
	36,859	32,896

The Company

	Year Ended 31 March 2021	Year Ended 31 March 2020
	£'000	£'000
Trade payables	12,995	12,362
Other payables:		
• Corporation tax	725	356
• Taxes and social security costs	563	627
• Accruals and deferred income	6,083	4,199
	20,366	17,544

The trade payables balance includes Trustees' balances of £4.9m in respect of uninvested cash held on the selfselect platform, which may be withdrawn by investors at any time.

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

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

22. Interest bearing liabilities**The Group**

	Year Ended March 2021	Year Ended March 2020
	£'000	£'000
Funds from investors and partners	1,044,446	852,935
Unamortised funding line costs	(4,281)	(6,771)
	1,040,165	846,164

The Company

	Year Ended March 2021	Year Ended March 2020
	£'000	£'000
Funds from investors and partners	42,074	32,486
	42,074	32,486

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

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

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

	As at 31 March 2021	As at 31 March 2020
	£'000	£'000
Interest bearing liabilities	1,040,165	846,164
Deduct: cash as reported in financial statements	(62,155)	(91,609)
Net debt: borrowings less cash as reported in the financial statements	978,010	754,555
Add back: unamortised funding line costs	4,281	6,771
Add back: trustees' account balances	4,869	9,626
Add: accrued interest	3,875	2,893
Deduct: retained interest	(5,036)	(3,180)
Net debt	985,999	770,665

23. Reconciliation of liabilities arising from financing activities

	Interest bearing liabilities £'000	Leases ⁽¹⁾ £'000	Derivatives ⁽²⁾ £'000
31 March 2020	(846,164)	(5,717)	(12,993)
Cash flows	(194,001)	1,377	4,453
Fair value changes	-	-	1,793
Leases	-	(664)	-
31 March 2021	(1,040,165)	(5,004)	(6,747)

	Interest bearing liabilities £'000	Leases ⁽¹⁾ £'000	Derivatives £'000
31 March 2019	(388,147)	(6,431)	(2,871)
Cash flows	(459,378)	1,357	920
Fair value changes	-	-	(11,042)
Leases	-	(643)	-
31 March 2020	(846,164)	(5,717)	(12,993)

(1) Only reconciliation of Leases applies to the Company.

(2) The figures in the derivatives column shows a net asset and liability position. The Group has a netting arrangement in place with the counterparties to these instruments.

24. Share capital

Issued and fully paid up	Year Ended 31 March 2021	Year Ended 31 March 2021	Year Ended 31 March 2020	Year Ended 31 March 2020
	Number	£	Number	£
Ordinary shares	21,168,175	21	21,168,175	21
A Ordinary shares	687,556	1	687,556	1
A2 Ordinary shares	880,000	1	880,000	1
A3 Ordinary shares	600,000	1	-	-
B1 Preferred shares	1,615,881	2	1,615,881	2
B2 Preferred shares	2,308,402	2	2,308,402	2
C Preferred shares	1,711,181	2	1,711,181	2
	28,971,195	30	28,371,195	29

Share premium	Year Ended March 2021	Year Ended March 2020
	£'000	£'000
1 April	17,540	17,278
Issue of new equity	-	262
31 March	17,540	17,540

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

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

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

The C Preferred shares, B Preferred shares, Ordinary shares, "A" Ordinary shares, "A2" Ordinary shares and "A3" Ordinary shares shall rank pari passu in all respects save for:

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

25. Reserves

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

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

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

26. Share based payments

Company Share Option Plan

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

	Year Ended 31 March 2017	Year Ended 31 March 2018	Year Ended 31 March 2019	Year Ended 31 March 2020	Year Ended 31 March 2021
Option pricing model used	Black-Scholes model	Black-Scholes model	Black-Scholes model	Black-Scholes model	Black-Scholes model
Valuation of share options at grant date	£0.59 per share	£1.19 per share	£2.38 per share	£2.38 per share	£3.60 per share
Amortisation period	3 years	4 years	4 years	4 years	4 years
Strike price	£0.05	£0.000001	£0.000001	£0.000001	£0.000001
Expiry date	September 2026	November 2027	September 2028	August 2029	January 2031
Grant date	September 2016	November 2017	September 2018	August 2019	January 2021

The movement in options is as follows:

	Year Ended 31 March 2017	Year Ended 31 March 2018	Year Ended 31 March 2019	Year Ended 31 March 2020	Year Ended 31 March 2021
Balance at 1 April 2019	200,408	185,960	327,850	-	-
Granted during the year	-	-	-	227,250	-
Options exercised during the year	-	-	-	-	-
Cancelled during the year	(3,847)	(40,835)	(37,950)	(14,000)	-
Balance at 1 April 2020	196,561	145,125	289,900	213,250	-
Granted during the year	-	-	-	-	561,500
Options exercised during the year	-	-	-	-	-
Cancelled during the year	(42,364)	(37,750)	(47,250)	(24,000)	-
Balance at 31 March 2021	154,197	107,375	242,650	189,250	561,500

Share based payment charge recognised

	Year Ended 31 March 2021	Year Ended 31 March 2020
	£'000	£'000
The expense is included in administrative expenses (note 8)	669	460

Weighted average exercise price

	£
At 1 April 2020	0.01
At 31 March 2021	0.01

Weighted average remaining contractual life

	Years	Number of Options
2016 CSOP	5.46	154,197
2017 CSOP	6.63	107,375
2018 CSOP	7.48	242,650
2019 CSOP	8.36	189,250
2020 CSOP	9.84	561,500
All schemes	8.35	1,254,972

Options granted in the year to 31 March 2021

Options granted in the year	
Market value at date of grant	£3.60
Expected volatility	35%
Expected dividends	-
Expected risk free rate	0.287%

The expected volatility of the options granted in the year is determined by historic data from prior period schemes. There were no options exercisable during the year.

27. Financial instruments

Principal financial instruments

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

Categorisation of financial assets and financial liabilities

The financial assets of the Group are carried at amortised cost, fair value through other comprehensive income or fair value through profit and loss as at 31 March 2021 and 31 March 2020 according to the nature of the asset. All financial liabilities of the Group are carried at amortised cost as at 31 March 2021 and 31 March 2020 due to the nature of the liability, with the exception of derivatives which are measured at fair value.

Financial instruments measured at amortised costs

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

Carrying amount of financial instruments

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

The Group

	As at 31 March 2021	As at 31 March 2020
Financial assets at amortised cost	£'000	£'000
Cash and cash equivalents	62,155	91,609
Trade and other receivables	4,218	4,390
Loans and advances ¹	24,585	-
Financial assets at fair value through other comprehensive income		
Loans and advances	1,032,122	786,067
Financial assets at fair value through profit and loss		
Derivative financial asset	1,926	-
Loans and advances	193	281
Total financial assets	1,125,199	882,347

NOTES TO THE FINANCIAL STATEMENTS (continued)

⁴As at 31 March 2021 the group held a number of loans originated under the governments CBILs scheme. These loans are valued at amortised cost within the accounts.

Financial liabilities at amortised cost

Trade and other payables	(35,720)	(32,273)
Interest bearing liabilities	(1,040,165)	(846,164)
Lease liability	(5,004)	(5,717)
Financial liabilities at fair value through profit & loss		
Derivative financial liability	(8,674)	(12,993)
Total financial liabilities	(1,089,563)	(897,147)

The Company

	Year Ended 31 March 2021	Year Ended 31 March 2020
Financial assets at amortised cost	£'000	£'000
Cash and cash equivalents	27,940	29,611
Trade and other receivables	35,523	29,138
Financial assets at fair value through other comprehensive income		
Loans and advances	22,007	11,028
Total financial assets	85,470	69,777
Financial liabilities at amortised cost		
Trade and other payables	(19,077)	(16,562)
Interest bearing liabilities	(42,074)	(32,486)
Lease liability	(5,004)	(5,717)
Total financial liabilities	(66,155)	(54,765)

(b) Carrying amount versus fair value

The following table compares the carrying amounts and fair values of the Group's financial assets and financial liabilities as at 31 March 2021 and the comparative figures:

	As at 31 March 2021	As at 31 March 2021	As at 31 March 2020	As at 31 March 2020
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets	£'000	£'000	£'000	£'000
Cash and cash equivalents	62,155	62,155	91,609	91,609
Trade and other receivables	4,218	4,218	4,390	4,390
Loans and advances	1,056,900	1,056,900	786,348	786,348
Derivative financial asset	1,926	1,926	-	-
Fair value adjustment for portfolio hedged risk asset	2,468	2,468	3,421	3,421
Total financial assets	1,127,667	1,127,667	885,768	885,768
Financial liabilities				
Trade and other payables	(35,720)	(35,720)	(32,273)	(32,273)
Interest bearing liabilities	(1,040,165)	(1,042,398)	(846,164)	(834,935)
Derivative financial liability	(8,674)	(8,674)	(12,993)	(12,993)
Fair value adjustment for portfolio hedged risk liability	(2,425)	(2,425)	-	-
Lease liability	(5,004)	(5,004)	(5,717)	(5,717)
Total financial liabilities	(1,091,988)	(1,094,221)	(897,147)	(885,918)

The fair value of Retail Bond 1 interest bearing liabilities is calculated based on the mid-market price of 100.3 on 31 March 2021 (price of 91.5 on 31 March 2020).

The fair value of Retail Bond 2 interest bearing liabilities is calculated based on the mid-market price of 102.2 on 31 March 2021 (price of 86.75 on 31 March 2020).

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

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

(c) Fair value hierarchy

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

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

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

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

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

	As at 31 March 2021	Level 1	Level 2	Level 3
Financial instruments measured or disclosed at fair value	£'000	£'000	£'000	£'000
Interest rate swap	(6,748)	-	(6,748)	-
Loans and advances	1,056,900	-	-	1,056,900
Financial instruments measured or disclosed at amortised cost				
Interest bearing liabilities ¹	(1,042,398)	(1,042,398)	-	-

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

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

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

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

Financial instrument	Valuation technique used	Significant unobservable inputs	Range
Loan and advances	Discounted cash flow valuation	Prepayment Rate Probability of default Discount Rate	2% - 12.4% 16% - 84% 2.5% - 10%

(d) Fair value and cash flow hedge reserve

	Financial assets	Deferred tax	Fair value reserve
	£'000	£'000	£'000
Fair value reserve at 1 April 2020	(9,747)	1,852	(7,895)
Movement in fair value of loans and advances at fair value through other comprehensive income	39,939	(7,589)	32,350
Movement in fair value of interest-bearing liabilities at fair value through other comprehensive income	(1,361)	259	(1,102)
Cash flow hedge adjustment through other comprehensive income	1,668	(316)	1,352
Fair value reserve at 31 March 2021	30,499	(5,794)	24,705

Information about sensitivity to change in significant unobservable inputs

The significant unobservable inputs used in the fair value measurement of the reporting entity's loans and advances are prepayment rates, discount rates and probability of default. Significant increase / (decrease) in any of those inputs in isolation would result in a lower / (higher) fair value measurement. A change in the assumption of these inputs will not correlate to a change in the other inputs. The impact of changes in observable inputs shown in sensitivity analysis below will be reported through other comprehensive income.

Sensitivity Analysis

Impact of changes in unobservable inputs	Gain or loss at 31 March 2021	+5bps	-5bps
		£'000	£'000
Prepayment rates	33,693	33,280	34,115
Discount rate	33,693	32,459	34,929
Probability of default	33,693	33,740	33,693

The fair value of the Buy-To-Let portfolio significantly increased during the financial year under review and is largely driven by a reduction in securitisation rates compared to prior year-end.

28. Derivatives held for risk management

Instrument Type	Year Ended 31 March 2021		Year Ended 31 March 2020	
	Asset	Liability	Asset	Liability
	£'000	£'000	£'000	£'000
LIBOR indexed interest rate swaps	1,926	-	-	(403)
SONIA indexed interest rate swaps	-	(8,674)	-	(12,590)
Total	1,926	(8,674)	-	(12,993)

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

There was a net gain of £6.2m on the derivative fair value position during the year (2020: loss of £10.1m). £2.2m of losses deferred in other comprehensive income were recycled to Profit and Loss and £0.4m of brought forward losses were cash settled during the year. A fair value gain of £1.9m on derivatives contracts entered into during the year is recorded in Profit and Loss, in part offset by £0.5m of fair value losses deferred in other comprehensive income. The net notional principal amount of the outstanding interest rate swap contracts at 31 March 2021 was £717.9m (2020: £601.6m).

29. Related party transactions

There were no related party transactions during the period to 31 March 2021 that would materially affect the position or performance of the Group.

The Company

The Company has made loans to LendInvest Warehouse Limited to fund a portfolio of loans. During the year to 31 March 2021, the Company made loans of £5m (2020: £3.6m) and received repayments in respect of loans of £5.2m (2020: £4.4m). The balance as at 31 March 2021 was £2.8m (2020: £3.1m). These loans are interest-bearing at 8% per annum.

£33.9m (2020: £27.6m) of the Company's trade receivables (see note 18) are unsecured intercompany receivables owed by Company's subsidiaries.

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

	Year Ended 31 March 2021	Year Ended 31 March 2020
	£'000	£'000
LendInvest Funds Management Limited	6,025	6,515
LendInvest Capital Management Limited	-	100

30. Controlling party

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

31. Events after the reporting date

In May 2021, Michael Evans, the group's Chief Financial Officer was appointed as an Executive Director of LendInvest Limited. The group also grew its Buy-to-Let assets under management to over £1bn - a significant milestone achieved, just 3.5 years after launching the product line.

In June 2021, the company priced the group's third securitisation of £280m of UK prime Buy-to-Let mortgage loans in an oversubscribed RMBS transaction. Citi acted as Sole Arranger, with Citi, HSBC, National Australia Bank and Standard Chartered Bank acting as Joint Lead Managers.



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