

LENDINVEST SECURED INCOME PLC

**Interim condensed financial statements for the
6 month period ended 30 September 2020**

Company registration number: 10408072

LENDINVEST SECURED INCOME PLC

Interim condensed financial statements for the 6 month period ended 30 September 2020

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OFFICERS AND PROFESSIONAL ADVISORS

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

LENDINVEST SECURED INCOME PLC

Interim condensed financial statements for the 6 month period ended 30 September 2020

DIRECTORS' REPORT

Performance in the period

The unaudited interim condensed financial statements for the period ended 30 September 2020 have been prepared in accordance with IAS 34 Interim Financial Statements.

LendInvest Secured Income PLC's (the 'Company's') principal activity is the provision of secured property lending to third party borrowers. During the period under review, the Company generated revenue of £5.6m (2019: £4.9m) and cost of sales of £3.2m (2019: £2.9), representing a gross profit margin of 42% (2019: 40%). Administrative expenses and impairment provisions amounted to £3.7m, leaving the Company with a profit before tax of £17k (2019: £469k).

The Company recorded 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.

As at 30 September 2020, the Company had invested £112.5 million (31 March 20: £106.1 million) in short-term loans to property SMEs and professionals. The majority of these loans were made with a first charge against property in England.

The Company has a number of covenants which it is required to comply with as outlined in the prospectus issued on 19 July 2017 and updated on 19 October 2019. Quarterly, the Company is required to report to bondholders, an analysis of its loan portfolio, via the London Stock Exchange's Regulatory News Service and on the LendInvest website.

The Company's Interest Coverage Ratio, which compares interest earned from borrowers to interest paid to bondholders, indicates that the Company's earnings from loans at the period end date, are expected to cover the cost of interest paid to bondholders 1.86 times.

As an online property lending and investing business, the principal risks and uncertainties of the business arise from the general economic environment and from the UK property market as a whole. Changes to the UK tax regime for property purchases and investment, regulatory changes for mortgage lenders and any general macro economic factors that affect the UK property market and economic climate may affect the business.

Covid-19 and the associated government restrictions remain a risk for wider economic activity. The Group maintained performance in the initial round of 'lockdowns' and continues to successfully adapt to the challenging business environment as reflected by the robust results reported for the period.

At the date of approval of the financial statements, there remains uncertainty regarding the future relationship between the UK and the EU. Whilst the directors do not currently consider Brexit to be a principal risk for the Group, they note the Group is focused predominantly on lending against property assets in the UK.

A general and persistent weakening of the UK economy and a fall in market sentiment caused by the uncertainty that Brexit or Covid-19 may pose, has the potential to impact the performance of the Group's underlying asset recovery. The Group's approach to credit risk however is sufficiently robust such that the directors believe the business could withstand fluctuations in the UK property market in the event of economic uncertainty.

LENDINVEST SECURED INCOME PLC**Interim condensed financial statements for the 6 month period ended 30 September 2020****DIRECTORS' REPORT (continued)****Going Concern**

On the basis of their assessment of the Company's financial position and that of its parent LendInvest Limited, the Company's directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future.

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

Key Performance Indicators (KPIs)

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

	6 month period ended 30 September 2020	6 month period ended 30 September 2019
	(Unaudited)	(Unaudited)
Gross amounts of loans outstanding (£m)	112.5	98.2
Cash not deployed (£m)	0.4	7.6
Euro Medium Term Note loan notes issued (£m)	112.7	120.0
Total loan losses realised (annualised %)	-	-
Interest coverage ratio (%)	186	199
Profit before tax (£m)	-	0.5

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Interim condensed financial statements for the 6 month period ended 30 September 2020

DIRECTORS' REPORT *(continued)*

Events after the period end date

In November 2020 the United Kingdom government imposed a second nationwide Covid-19 lockdown. The new restrictions are scheduled to end on 2 December 2020 and are not as restrictive as those imposed in March 2020. The UK property market will remain open during the second lockdown and should therefore have a comparatively less adverse effect on the Group's operations.

The Company is deeply saddened to announce that Angelie Panteli, Chief Financial Officer, company secretary and hugely respected colleague, passed away on 30 November 2020.

Responsibility statement of the directors in respect of the interim condensed financial statements for the 6 month period ended 30 September 2020

We confirm that to the best of our knowledge:

- the interim set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting, as adopted by the EU.
- the interim financial statements reflect important events that have occurred during the first six months of the financial year.
- principal risks and uncertainties have been considered for the remaining six months of the financial year

Approved on behalf of the board:



Ian Thomas
Director
10 December 2020

LENDINVEST SECURED INCOME PLC

Interim condensed financial statements for the 6 month period ended 30 September 2020

INDEPENDENT REVIEW REPORT TO LENDINVEST SECURED INCOME PLC

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2020 which comprise the condensed interim statement of profit and loss, the condensed interim statement of comprehensive income, the condensed interim statement of financial position, the condensed interim statement of changes in equity, the condensed interim statement of cash flows and the related explanatory notes.

We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The half-yearly financial report is the responsibility of and has been approved by the directors. The directors are responsible for preparing the half-yearly financial report in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The condensed set of financial statements included in this half—yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2020 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union.

LENDINVEST SECURED INCOME PLC

Interim condensed financial statements for the 6 month period ended 30 September 2020

INDEPENDENT REVIEW REPORT TO LENDINVEST SECURED INCOME PLC *(continued)*

Use of our report

Our report has been prepared in accordance with the terms of our engagement to assist the Company in meeting its responsibilities in respect of half-yearly financial reporting and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

BDO LLP

BDO LLP
Chartered Accountants
London, UK
10 December 2020

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

LENDINVEST SECURED INCOME PLC

Interim condensed financial statements for the 6 month period ended 30 September 2020

CONDENSED INTERIM STATEMENT OF PROFIT AND LOSS

	Note	6 month period ended 30 September 2020 £'000	6 month period ended 30 September 2019 £'000
		(Unaudited)	(Unaudited)
Revenue	4	5,596	4,882
Cost of sales	6	(3,225)	(2,922)
Gross profit		2,371	1,960
Gain on derecognition of financial liability	5	1,361	-
Total operating income		3,732	1,960
Administrative expenses		(2,050)	(654)
Impairment provisions		(1,659)	(837)
Profit from operations		23	469
Finance income	7	-	480
Finance expense	8	(6)	(480)
Profit before tax	9	17	469
Tax (charge)	10	(3)	(90)
Profit for the period		14	379

LENDINVEST SECURED INCOME PLC

Interim condensed financial statements for the 6 month period ended 30 September 2020

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Note	6 month period ended 30 September 2020 £'000	6 month period ended 30 September 2019 £'000
		(Unaudited)	(Unaudited)
Profit for the period		14	379
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/(loss)	15	648	(466)
Deferred tax (charge)/credit on fair value adjustment	10/15	(123)	88
Other comprehensive income/(loss) for the period		525	(378)
Total comprehensive income for the period		539	1

LENDINVEST SECURED INCOME PLC

Interim condensed financial statements for the 6 month period ended 30 September 2020

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

	Note	As at 30 September 2020 £'000	As at 31 March 2020 £'000
		(Unaudited)	(Audited)
Assets			
Cash and cash equivalents		410	15,740
Trade and other receivables	11	3,875	1,899
Loans and advances	12	109,641	104,406
Deferred tax	10	-	43
Total assets		113,926	122,088
Liabilities			
Trade and other payables	13	(1,482)	(3,160)
Interest bearing liabilities	14	(111,698)	(118,801)
Deferred Tax	10	(80)	-
Total liabilities		(113,260)	(121,961)
Net assets		666	127
Equity			
Share capital	16	50	50
Fair value reserve		476	(49)
Retained earnings		140	126
Total equity		666	127

These financial statements of LendInvest Secured Income PLC, with registered number 10408072, were approved by the Board of Directors and authorised for issue on 10 December 2020.

Signed on behalf of the Board of Directors by:



I Thomas
Director

LENDINVEST SECURED INCOME PLC

Interim condensed financial statements for the 6 month period ended 30 September 2020

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

	Share capital	Fair value reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Balance at 1 April 2019	50	(117)	74	7
Profit after taxation	-	-	379	379
Fair value adjustments on loan & advances through OCI	-	(378)	-	(378)
Balance as at 30 September 2019	50	(495)	453	8
Loss after taxation	-	-	(327)	(327)
Fair value adjustments on loan & advances through OCI	-	446	-	446
Balance at 31 March 2020	50	(49)	126	127
Profit after taxation	-	-	14	14
Fair value adjustments on loan & advances through OCI	-	525	-	525
Balance as at 30 September 2020	50	476	140	666

LENDINVEST SECURED INCOME PLC

Interim condensed financial statements for the 6 month period ended 30 September 2020

CONDENSED INTERIM STATEMENT OF CASH FLOWS

	Note	6 month period ended 30 September 2020 £'000	6 month period ended 30 September 2019 £'000
		(Unaudited)	(Unaudited)
Cash flow from operating activities			
Profit for the period		14	379
Adjusted for:			
Income tax expense	10	3	90
Finance expense		6	-
Impairment Provision		1,659	837
Change in working capital			
(Increase) in loans and advances		(6,247)	(8,934)
(Increase)/decrease in trade and other receivables		(2,055)	14,996
(Decrease) in trade and other payables		(1,601)	(1,111)
Interest paid		(6)	-
Cash (used in)/generated from operations		(8,227)	6,257
Cash flow from financing activities			
(Decrease)/increase in interest bearing liabilities		(5,742)	166
Cancellation of interest bearing liabilities		(7,315)	-
Cash paid on disposal of interest bearing liabilities		5,954	-
Net cash (used in)/generated from financing activities		(7,103)	166
Net (decrease)/increase in cash and cash equivalents		(15,330)	6,423
Cash and cash equivalents at beginning of the period		15,740	1,157
Cash and cash equivalents at end of the period		410	7,580

LENDINVEST SECURED INCOME PLC

Interim condensed financial statements for the 6 month period ended 30 September 2020

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

1. Basis of preparation

1.1 General information

LendInvest Secured Income PLC was incorporated on 3 October 2016 in the United Kingdom under the Companies Act 2006. The address of its registered office is given on page 1.

The principal activity of the Company is to provide secured lending to third party borrowers.

LendInvest Secured Income PLC is a 100% subsidiary of LendInvest Limited and its results are included in the interim condensed consolidated financial statements of LendInvest Limited (the "Group").

1.2 Basis of accounting

These financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting" and have been prepared on a historical cost basis, except as required in the valuation of certain financial instruments which are carried at fair value. As required by the Disclosure and Transparency Rules of the Financial Conduct Authority, these financial statements have been prepared applying the accounting policies and presentation that were applied in the preparation of the Group's published financial statements for the year ended 31 March 2020.

These financial statements are not statutory accounts. LendInvest Secured Income PLC statutory accounts for the year ended 31 March 2020 have been reported on by its auditor and delivered to the Registrar of Companies. The report of the auditor on those statutory accounts (i) was unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under Section 498(2) or (3) of the Companies Act 2006.

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

1.3 Accounting policies

The accounting policies and methods of computation are consistent with those set out in the Annual Report 2020.

LENDINVEST SECURED INCOME PLC**Interim condensed financial statements for the 6 month period ended 30 September 2020****NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)****2. Financial risk management****General objectives, policies and processes**

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

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

	Carrying amount £'000	Gross nominal inflow/(outflow) £'000	Amount due within one year £'000	Amount due post one year £'000
As at 30 September 2020				
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Financial assets				
Cash and cash equivalents	410	410	410	-
Trade and other receivables	3,875	3,875	3,875	-
Loans and advances	109,641	112,505	110,685	1,820
	113,926	116,790	114,970	1,820
Financial liabilities				
Trade and other payables	(1,482)	(1,482)	(1,482)	-
Interest bearing liabilities	(111,698)	(127,551)	(5,991)	(121,560)
	(113,180)	(129,033)	(7,473)	(121,560)

LENDINVEST SECURED INCOME PLC**Interim condensed financial statements for the 6 month period ended 30 September 2020****NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)****2. Financial risk management (continued)****General objectives, policies and processes (continued)**

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

3. Segmental analysis

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

4. Revenue

	6 month period ended 30 September 2020 £'000	6 month period ended 30 September 2019 £'000
	(Unaudited)	(Unaudited)
Interest on Loans and Advances	5,596	4,882
	5,596	4,882

5. Gain on derecognition of financial liability

The Company repurchased bonds with a par value of £7.3m from an external party in the financial year ended 31 March 2020. The bonds were subsequently cancelled in the period under review. The bonds were repurchased at discount, realising in the statement of profit and loss a £1.4m gain on derecognition of the bond liability.

LENDINVEST SECURED INCOME PLC**Interim condensed financial statements for the 6 month period ended 30 September 2020****NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)****6. Costs of sales**

	6 month period ended 30 September 2020 £'000	6 month period ended 30 September 2019 £'000
	(Unaudited)	(Unaudited)
Interest Expense	3,004	2,716
Funding Line Costs	221	206
	3,225	2,922

7. Finance income

	6 month period ended 30 September 2020 £'000	6 month period ended 30 September 2019 £'000
	(Unaudited)	(Unaudited)
Intercompany interest	-	480
	-	480

In the half year to September 2019 £15m of bonds were held in treasury realising £0.5m of finance income and expense. In February 2020 the Company sold all treasury bonds at par value documented in note 14.

8. Finance expenditure

	6 month period ended 30 September 2020 £'000	6 month period ended 30 September 2019 £'000
	(Unaudited)	(Unaudited)
Finance Cost	(6)	(480)
	(6)	(480)

9. Profit before tax

Audit fees and auditors remuneration for other services are paid by the Company's ultimate parent company, LendInvest Limited. The Company employed no employees in the 6 month period to 30 September 2020 (2019: nil).

LENDINVEST SECURED INCOME PLC**Interim condensed financial statements for the 6 month period ended 30 September 2020****NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)****10. Taxation on profit on ordinary activities**

The Company is subject to all taxes applicable to a commercial company in the United Kingdom. The UK business profits of the Company are subject to UK income tax at the prevailing basic rate of 19% (2019: 19%).

As of 30 September 2020, the Company had £80k in net deferred tax liability (DTLs) (31 March 2020: net deferred tax assets of £43k). These DTLs include liabilities of £80k (31 March 2020: DTAs £43k) related to the fair value reserve and ECL provision on transition to IFRS 9 and subsequent movements.

11. Trade and other receivables

	As at 30 September 2020 £'000	As at 31 March 2020 £'000
	(Unaudited)	(Audited)
Trade receivables	-	-
Receivables from related parties	3,802	1,838
Accrued income	73	61
	3,875	1,899

12. Loans and advances

	As at 30 September 2020 £'000	As at 31 March 2020 £'000
	(Unaudited)	(Audited)
Gross loans and advances - due within one year	112,505	106,108
ECL provision	(3,452)	(1,642)
Fair value adjustment (*)	588	(60)
Loans and advances	109,641	104,406

(*) Fair value adjustment to gross loans and advances due to classification as FVTOCI. Fair value adjustments are a function of changes in interest rates and credit spreads on the Group's loan assets. The changes in these variables during the period and effect on fair value is discussed in Note 17.

LENDINVEST SECURED INCOME PLC

Interim condensed financial statements for the 6 month period ended 30 September 2020

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

12. Loans and advances (continued)

ECL provision

<i>Movement in the period</i>	£'000
Under IFRS 9 at 1 April 2020	(1,642)
Additional provisions made during the period ¹	(1,812)
Utilised in the period	2
Under IFRS 9 at 30 September 2020	(3,452)

¹The ECL provision of £3.5m 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 £1.8m. This includes the £1.7m 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 £0.1m.

Analysis of loans and advances by stage

As at 30 September 2020				
	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Gross loans and advances	35,328	51,054	26,123	112,505
ECL provision	(26)	(183)	(3,243)	(3,452)
Fair value adjustment	51	15	522	588
Loans and advances	35,353	50,886	23,402	109,641

As at 31 March 2020				
	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Gross loans and advances	54,682	32,540	18,886	106,108
ECL provision	(28)	(146)	(1,486)	(1,642)
Fair value adjustment	107	(279)	112	(60)
Loans and advances	54,761	32,115	17,530	104,406

LENDINVEST SECURED INCOME PLC

Interim condensed financial statements for the 6 month period ended 30 September 2020

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)**12. Loans and advances (continued)****Credit risk on gross loans and advances**

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

As at 30 September 2020				
	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Risk Grades 1 – 5	22,748	30,231	-	52,979
Risk Grades 6 – 10	11,699	19,227	-	30,926
Risk Grade 11 -15	881	1,596	-	2,477
Risk Grade 16 - 17	-	-	-	-
Default	-	-	26,123	26,123
Total	35,328	51,054	26,123	112,505

The Company had no POCI loans during the period.

As at 31 March 2020				
	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Risk Grades 1 – 5	37,454	4,422	-	41,876
Risk Grades 6 – 10	12,523	10,404	-	22,927
Risk Grade 11 -15	4,705	17,552	-	22,257
Risk Grade 16 - 17	-	162	-	162
Default	-	-	18,886	18,886
Total	54,682	32,540	18,886	106,108

LENDINVEST SECURED INCOME PLC**Interim condensed financial statements for the 6 month period ended 30 September 2020****NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)****13. Trade and other payables**

	As at 30 September 2020 £'000	As at 31 March 2020 £'000
	(Unaudited)	(Audited)
Trade payables	1,141	1,176
Corporation tax	-	-
Accrued expenses	341	1,984
	1,482	3,160

14. Interest bearing liabilities

	As at 30 September 2020 £'000	As at 31 March 2020 £'000
	(Unaudited)	(Audited)
Interest bearing liabilities due after one year, but less than five years	112,685	120,000
Funding line costs	(987)	(1,199)
	111,698	118,801

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

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

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

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

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

LENDINVEST SECURED INCOME PLC**Interim condensed financial statements for the 6 month period ended 30 September 2020****NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)****14. Interest bearing liabilities (continued)**

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

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

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

	As at 30 September 2020 £'000	As at 31 March 2020 £'000
	(Unaudited)	(Audited)
Interest bearing liabilities	111,698	118,801
Deduct: cash as reported in financial statements	(410)	(15,740)
Net debt: borrowings less cash	111,288	103,061
Add back: unamortised funding line costs	987	1,199
Add: accrued interest	341	1,994
Net debt	112,616	106,254

Reconciliation of liabilities arising from financing activities

31 March 2019 (audited)	(118,504)
Cash flows	(297)
31 March 2020 (audited)	(118,801)
Cash flows	(212)
Cancellation of interest bearing liabilities	7,315
30 September 2020 (Unaudited)	(111,698)

LENDINVEST SECURED INCOME PLC**Interim condensed financial statements for the 6 month period ended 30 September 2020****NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)****15. Financial Instruments*****Principal financial instruments***

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

Categorisation of financial assets and financial liabilities

All financial assets of the Company are carried at amortised cost or fair value through other comprehensive income as at 30 September 2020 and 31 March 2020 due to the nature of the asset. All financial liabilities of the Company are carried at amortised cost as at 30 September 2020 and 31 March 2020 due to the nature of the liability.

Financial instruments measured at amortised cost

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

(a) Carrying amount of financial instruments

A summary of the financial instruments held is provided below:

	As at 30 September 2020 £'000	As at 31 March 2020 £'000
	(Unaudited)	(Audited)
Cash and cash equivalents	410	15,740
Trade and other receivables	3,875	1,899
Loans and advances	109,641	104,406
Total financial assets	113,926	122,045
Trade and other payables	1,482	3,160
Interest bearing liabilities	111,698	118,801
Total financial liabilities	113,180	121,961

LENDINVEST SECURED INCOME PLC

Interim condensed financial statements for the 6 month period ended 30 September 2020

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

15. Financial Instruments (continued)

(b) Carrying amount versus fair value

The following table compares the carrying amounts and fair values of the Company's financial assets and financial liabilities as at 30 September 2020:

	As at 30 September 2020 £'000	As at 30 September 2020 £'000	As at 31 March 2020 £'000	As at 31 March 2020 £'000
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(Unaudited)	(Unaudited)	(Audited)	(Audited)
Financial assets				
Cash and cash equivalents	410	410	15,740	15,740
Trade and other receivables	3,875	3,875	1,899	1,899
Loans and advances	109,641	109,641	104,406	104,406
Total financial assets	113,926	113,926	122,045	122,045
Financial liabilities				
Trade and other payables	1,482	1,482	3,160	3,160
Interest bearing liabilities	111,698	104,608	118,801	105,750
Total financial liabilities	113,180	106,090	121,961	108,910

The fair value of the Retail Bond 1 interest bearing liability is calculated based on the mid-market price of £95.425 on 30 September 2020.

The fair value of the Retail Bond 2 interest bearing liability is calculated based on the mid-market price of £92.200 on 30 September 2020.

Loans and advances are classified as fair value through other comprehensive income and any changes to fair value are calculated based on a fair value model and recognised through the Statement of Other Comprehensive Income. Interest bearing liabilities are classified at amortised cost and the fair value in the table above is for disclosure purposes only.

LENDINVEST SECURED INCOME PLC**Interim condensed financial statements for the 6 month period ended 30 September 2020****NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)****15. Financial Instruments (continued)****(c) Fair value hierarchy**

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

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) 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 30 September 2020 £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Financial instruments measured at fair value				
Loans and advances	109,641	-	-	109,641
Interest Bearing Liabilities	(111,698)	(111,698)	-	-

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

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

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

Financial instrument	Valuation techniques used	Significant unobservable inputs
Loans and advances	Discounted cash flow valuation	Credit risk Average market rates

LENDINVEST SECURED INCOME PLC**Interim condensed financial statements for the 6 month period ended 30 September 2020****NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)****15. Financial Instruments (continued)****(d) Fair value reserve**

Six months to 30 September 2020	Financial assets £'000	Deferred tax £'000	Fair value reserve £'000
Balance as at 1 April 2020	(60)	11	(49)
Movement in fair value adjustment for loans and advances at fair value through other comprehensive income	648	(123)	525
Fair value reserve at 30 September 2020	588	(112)	476

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, probability of default and discount rates. Significant increase / (decrease) in any of those inputs in isolation would result in a lower / (higher) fair value measurement. A change in the assumption of these inputs will not correlate to a change in the other inputs.

Sensitivity Analysis

Impact of changes in unobservable inputs	Gain or loss at 30 September 2020 £'000	+5bps £'000	-5bps £'000
Discount rate	588	572	603

LENDINVEST SECURED INCOME PLC**Interim condensed financial statements for the 6 month period ended 30 September 2020****NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)****15. Financial Instruments (continued)****(e) Interest Rate Sensitivity**

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

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

- Profit before tax for the year to 30 September 2020 would be unchanged. Although the Company's interest rates on loans to borrowers is operated as a fixed rate, the Company has the legal right to vary the borrower interest rate if certain changes in interest rates occur. Implementing this provision would improve the impact of an interest rate increase. However, we have assumed in this sensitivity analysis that the Company has not implemented this provision. Loans from lenders are fixed rate denominated.
- Equity reserves as at 30 September 2020 would decrease by £0.9m after being offset by the deferred tax impact.

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

- Profit before tax for the year to 30 September 2020 would be unchanged. As noted above, the Company's interest rates on loans to borrowers are fixed rate denominated, with certain provisions to vary them, while loans from lenders are also fixed rate denominated.
- Equity reserves as at 30 September 2020 would increase by £0.9m after being offset by the deferred tax impact.

As loan assets are at FVOCI, a movement in interest rates would affect the fair value of loan assets and, therefore, equity reserves.

16. Share capital

	As at 30 September 2020 number	As at 31 March 2020 number
	(Unaudited)	(Audited)
Issued Ordinary Shares of £1 each	50,000	50,000

	As at 30 September 2020 £	As at 31 March 2020 £
	(Unaudited)	(Audited)
Issued Ordinary Shares of £1 each	50,000	50,000
Paid up of £0.25 per share	12,500	12,500
Unpaid of £0.75 per share	37,500	37,500

17. Reserves

Reserves are comprised of retained earnings and the fair value reserve. Retained earnings represent all net gains and losses of the Company and the fair value reserve represents movements in the fair value of the financial assets classified as FVTOCI.

LENDINVEST SECURED INCOME PLC**Interim condensed financial statements for the 6 month period ended 30 September 2020****NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (continued)****18. Related party transactions**

	6 month period ended 30 September 2020 £'000	6 month period ended 30 September 2019 £'000
	(Unaudited)	(Unaudited)
Intercompany intermediary fee income		
LendInvest Limited	2,046	645

	6 month period ended 30 September 2020 £'000	6 month period ended 30 September 2019 £'000
	(Unaudited)	(Unaudited)
Transfer of loan balances between the company and related parties		
Total value of loan balances transferred to the Company from related parties during the period	105,693	162,139
Total value of loan balances transferred from the Company to related parties during the period	100,162	116,092

19. Ultimate controlling party

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

20. Events after reporting date

In November 2020 the United Kingdom government imposed a second nationwide Covid-19 lockdown. The new restrictions are scheduled to end on 2 December 2020 and are not as restrictive as those imposed in March 2020. The UK property market will remain open during the second lockdown and should therefore have a comparatively less adverse effect on the Group's operations.

The Company is deeply saddened to announce that Angelie Panteli, Chief Financial Officer, company secretary and hugely respected colleague, passed away on 30 November 2020.