LENDINVEST SECURED INCOME PLC

Interim condensed financial statements for the 6 month period ended 30 September 2019

Company registration number: 10408072

LENDINVEST SECURED INCOME PLC
Interim condensed financial statements for the 6 month period ended 30 September 2019

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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 2019

DIRECTORS' REPORT

Performance in the period

The unaudited interim condensed financial statements for the period ended 30 September 2019 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 £4.9m and cost of sales of £2.9m, representing a net income margin of 40% (2018: 39%). Administrative expenses and impairment provisions amounted to £1.5m, leaving the Company with a profit before tax of £0.5m.

In May 2019, the Company sold, at par, £15 million of bonds previously held in treasury. The bonds are listed on the Official List of the UK Listing Authority and admitted to trading on the London Stock Exchange's regulated market and through the electronic Order Book for Retail Bonds.

As at 30 September 2019, the Company had invested £98.2 million (pre IFRS 9 provisions) 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 2018. 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 1.99 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. Brexit, further 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.

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 Company, they note that the Company is focused predominantly on lending against property assets in the UK. A general and persistent weakening of the UK economy and a fall in market sentiment caused by the uncertainty that Brexit may pose, has the potential to impact the performance of the Company's underlying asset recovery. The Company's approach to credit risk however is sufficiently robust such that the directors believe the business could withstand fluctuations in the UK property market in the event of economic uncertainty. By applying the Bank of England's Annual Cyclical Scenario ("ACS") tests, it was shown that the business could withstand a scenario more severe than the Global Financial Crisis of 2008.

Going Concern

The Company's business activities together with the factors likely to affect its future development are set out in this Directors' Report. As set out in the prospectus issued on 19 July 2017 and updated on 19 October 2018, the bonds issued by the Company are guaranteed by the ultimate parent company LendInvest Limited. The directors have considered these factors alongside the Company's financial plan and any associated risks, and it is on this basis that the directors have continued to prepare the interim financial statements on a going concern basis.

DIRECTORS' REPORT *(continued)*

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 2019	**6 month period ended 30 September 2018**
	(Unaudited)	(Unaudited)
Gross amounts of loans outstanding (£m)	98.2	89.4
Cash not deployed (£m)	7.6	1.2
Euro Medium Term Note loan notes issued (£m)[1]	120.0	90.0
Total loan losses realised (annualised %)	-	-
Weighted average Loan to Value of loans (%)	64	59
Interest coverage ratio (%)	199	195
Profit/(loss) before tax (£m)	0.5	0.1

[1]£15m of this amount is held within group treasury. Please see note 15 for further details.

Events after the period end date

There were no events to report after the period end date.

Responsibility statement of the directors in respect of the interim condensed financial statements for the 6 month period ended 30 September 2019

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.

Approved on behalf of the board:

Ian Thomas
Director
19 December 2019

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 2019 which comprises the condensed interim statement of profit and loss, the condensed interim statement of other 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 2019 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union.

Use of our report

Our report has been prepared in accordance with the terms of our engagement to assist the Company 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 and Registered Auditors
London
19 December 2019

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 2019

CONDENSED INTERIM STATEMENT OF PROFIT AND LOSS

	Note	6 month period ended 30 September 2019 £'000	6 month period ended 30 September 2018 Restated[1] £'000
		(Unaudited)	(Unaudited)
Revenue*	6	4,882	4,208
Cost of sales	7	(2,922)	(2,550)
Gross profit		**1,960**	**1,658**
Administrative expenses		(654)	(884)
Impairment provisions		(837)	(705)
Profit from operations		**469**	**69**
Finance income		480	-
Finance expense		(480)	-
Profit/(loss) before tax	10	**469**	**69**
Tax (charge)	11	(90)	(13)
Profit/(loss) for the period		**379**	**56**

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*Revenue is defined as interest income, fee income and similar income

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

[1]Please see note 3 for details of the restatement

LENDINVEST SECURED INCOME PLC

Interim condensed financial statements for the 6 month period ended 30 September 2019

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Note	6 month period ended 30 September 2019 £'000	6 month period ended 30 September 2018 Restated[1] £'000
		(Unaudited)	(Unaudited)
Profit/(loss) for the period		**379**	**56**
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	16	(466)	498
Deferred tax credit/(charge) on fair value adjustment	11/16	88	(95)
Other comprehensive income/(loss) for the period		**(378)**	**403**
Total comprehensive income/(loss) for the period		**1**	**459**

[1]Please see note 3 for details of the restatement

LENDINVEST SECURED INCOME PLC

Interim condensed financial statements for the 6 month period ended 30 September 2019

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

	Note	As at 30 September 2019 £'000	As at 31 March 2019 £'000
		(Unaudited)	(Audited)
Assets			
Cash and cash equivalents		7,580	1,157
Trade and other receivables	12	17,944	32,941
Loans and advances	13	96,058	88,426
Deferred tax	11	146	59
Total assets		**121,728**	**122,583**
Liabilities			
Trade and other payables	14	(3,049)	(4,072)
Interest bearing liabilities	15	(118,671)	(118,504)
Total liabilities		**(121,720)**	**(122,576)**
Net assets		**8**	**7**
Equity			
Share capital	17	50	50
Fair value reserve		(495)	(117)
Retained earnings		453	74
Total equity		**8**	**7**

These financial statements of LendInvest Secured Income PLC, with registered number 10408072, were approved by the Board of Directors and authorised for issue on 19 December 2019.

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 2019

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

	Share capital £'000	**Fair value reserve £'000**	**Retained earnings £'000**	**Total £'000**
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Balance as at 31 March 2018	**50**	**-**	**5**	**55**
Adjustment for change in accounting policy – IFRS 9 Financial Instruments	-	(294)	(151)	(445)
Balance at 1 April 2018 (restated)	**50**	**(294)**	**(146)**	**(390)**
Profit/(loss) after taxation	-	-	403	403
Fair value adjustments on loan & advances through OCI	-	56	-	56
Balance as at 30 September 2018 (reported)	**50**	**(238)**	**257**	**69**
Prior period restatement in relation to adjustments to the ECL model	-	205	(205)	**-**
Balance as at 01 October 2018 (restated)	**50**	**(33)**	**52**	**69**
Profit/(loss) after taxation	-	-	22	**22**
Fair value adjustments on loan & advances through OCI	-	(84)	-	**(84)**
Balance at 31 March 2019	**50**	**(117)**	**74**	**7**
Profit/(loss) after taxation	-	-	379	**379**
Fair value adjustments on loan & advances through OCI	**-**	(378)	**-**	**(378)**
Balance as at 30 September 2019	**50**	**(495)**	**453**	**8**

LENDINVEST SECURED INCOME PLC

Interim condensed financial statements for the 6 month period ended 30 September 2019

CONDENSED INTERIM STATEMENT OF CASH FLOWS

	Note	6 month period ended 30 September 2019 £'000	6 month period ended 30 September 2018 Restated[1] £'000
		(Unaudited)	(Unaudited)
Cash flow from operating activities			
Profit/(loss) for the period		379	56
Adjusted for:			
Income tax expense/(credit)	11	90	13
Impairment Provision		837	705
Change in working capital			
(Increase)/decrease in loans and advances		(8,934)	(39,990)
(Increase)/decrease in trade and other receivables		14,996	(1,044)
Increase/(decrease) in trade and other payables		(1,111)	1,280
Cash generated from operations		**6,257**	**(38,980)**
Cash flow from financing activities			
Increase/(decrease) in interest bearing liabilities		166	39,527
Net cash from financing activities		**166**	**39,527**
Net increase in cash and cash equivalents		**6,423**	**547**
Cash and cash equivalents at beginning of the period		1,157	634
Cash and cash equivalents at end of the period		**7,580**	**1,181**

[1]Please see note 3 for details of the restatement

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. The address of its registered office is given on page 3.

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 Ltd 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 2019.

The comparative figures for the period ended 30 September 2018 have not been audited and are not the Group's statutory accounts for that period. The Group statutory accounts for the year ended 31 March 2019 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 2019, except for the changes discussed in note 2 and the change detailed below.

These financial statements have included the interest expense on bonds held in treasury as a finance expense within the income statement. This was previously included in cost of sales within the Company financial statements for period end 31 March 2019. This change has been made to better indicate that this is not an expense that the Company actually incurs, but rather an expense that is offset by an equal and opposite income on the bonds held in treasury.

2. Impact of adoption of IFRS 16 – Leases

2.1 Introduction

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

The Company does not hold any leases and as such, the interim financial statements have not been impacted by these changes and no transitional changes have been applied.

3. Restatement of comparatives

During the year ended 31 March 2019, as part of the IFRS 9 transition, management identified historical elements of the calculations of the ECL that meant the ECL provision was understated by £429k as at 30 September 2018. The opening ECL balance as at 01 April 2018 in the financial statements for the 6 month period to 30 September 2018 was also understated by £176k.

This restatement has increased the impairment charge within the income statement for the 6 month period ended 30 September 2018 from £452k to £705k. This has also decreased the tax charge from £61k to £13k, resulting in a net impact on statutory profit after tax of £205k and a corresponding decrease in opening retained earnings at 1 October 2018.

Additionally, the fair value gain for the 6 month period ended 30 September 2018 has increased from £73k to £326k and the deferred tax charge in respect of the fair value movement through OCI has increased from £14k to £62k. There is a net impact on the other comprehensive gain for the period after tax of £205k and a corresponding increase in the opening fair value reserve at 1 October 2018.

There is no impact on any other balance sheet accounts at 30 September 2018 and no impact on the balance sheet as at 31 March 2019.

The amount of correction for each financial line item affected is disclosed below.

	As originally disclosed 30 September 2018 £'000	**Restatement £'000**	**As restated £'000**
CONDENSED INTERIM STATEMENT OF PROFIT AND LOSS			
Impairment provisions	(452)	(253)	(705)
Profit from operations	322	(253)	69
Profit before tax	322	(253)	69
Income tax credit / (charge)	(61)	48	(13)
Profit after taxation	261	(205)	56
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME			
Fair value gain/(loss) on loans and advances measured at fair value through other comprehensive income	73	253	326
Deferred tax (charge)/credit on fair value adjustment	(14)	(48)	(62)
Other comprehensive gain/(loss) for the period	59	205	264
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY			
Retained earnings as at 01 October 2018	257	(205)	52
Fair value reserve as at 01 October 2018	(238)	205	(33)
CONDENSED INTERIM STATEMENT OF CASH FLOWS			
Cash flow from impairment provision	452	253	705
Cash flow from income tax expense/(credit)	61	(48)	13

4. 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:

As at 30 September 2019	**Carrying amount £'000**	**Gross nominal inflow/ (outflow) £'000**	**Amount due within one year £'000**	**Amount due post one year £'000**
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Financial assets				
Cash and cash equivalents	7,580	7,580	7,580	-
Trade and other receivables	17,944	17,944	17,944	-
Loans and advances	96,058	100,631	57,095	43,536
	121,582	**126,155**	**82,619**	**43,536**
Financial liabilities				
Trade and other payables	(2,913)	(2,913)	(2,913)	-
Interest bearing liabilities	(118,671)	(137,865)	(20,496)	(117,369)
	(121,584)	**(140,778)**	**(23,409)**	**(117,369)**

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

5. 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.

6. Revenue

	6 month period ended 30 September 2019 £'000	6 month period ended 30 September 2018 £'000
	(Unaudited)	(Unaudited)
Interest on Loans and Advances	4,882	4,200
Origination Fees	-	8
	4,882	**4,208**

7. Costs of sales

	6 month period ended 30 September 2019 £'000	6 month period ended 30 September 2018 £'000
	(Unaudited)	(Unaudited)
Interest Expense	2,716	2,362
Funding Line Costs	206	188
	2,922	**2,550**

8. Finance income

	6 month period ended 30 September 2019 £'000	**6 month period ended 30 September 2018 £'000**
	(Unaudited)	(Unaudited)
Intercompany interest	480	-
	480	**-**

9. Finance expenditure

	6 month period ended 30 September 2019 £'000	**6 month period ended 30 September 2018 £'000**
	(Unaudited)	(Unaudited)
Finance Cost	(480)	-
	(480)	**-**

10. Profit/(loss) 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 2019 (2018: nil).

11. 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% (2018: 19%).

As of 30 September 2019, the Company had £146k in net deferred tax assets (DTAs) (31 March 2019: net deferred tax assets of £59k). These DTAs include assets of £146k (31 March 2019: £59k) related to the fair value reserve and ECL provision on transition to IFRS 9 and subsequent movements.

12. Trade and other receivables

	As at 30 September 2019 £'000	**As at 31 March 2019 £'000**
	(Unaudited)	(Audited)
Trade receivables	-	2
Receivables from related parties	17,895	32,292
Accrued income	49	647
	17,944	**32,941**

13. Loans and advances

	As at 30 September 2019 £'000	As at 31 March 2019 £'000
	(Unaudited)	(Audited)
Gross loans and advances - due within one year	98,188	89,195
ECL provision	(1,520)	(625)
Fair value adjustment (*)	(610)	(144)
Loans and advances	**96,058**	**88,426**

13. Loans and advances *(continued)*

(*) Fair value adjustment to gross loans and advances due to classification as FVTOCI. This has arisen as the interest rates on the loans in the Company are cheaper than the market at 30 September 2019.

ECL provision

Movement in the period	**£'000**
Under IFRS 9 at 1 April 2019	**(625)**
Additional provisions made during the period[1]	(895)
Utilised in the period	-
Under IFRS 9 at 30 September 2019	**(1,520)**

[1]The ECL provision of £1.5m 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 £0.9m. This includes the £0.8m 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

	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Gross loans and advances	48,553	21,678	27,957	**98,188**
ECL provision	(31)	(38)	(1,451)	**(1,520)**
Fair value adjustment	28	(208)	(430)	**(610)**
Loans and advances	**48,550**	**21,432**	**26,076**	**96,058**

13. Loans and advances *(continued)*

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

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

If a loss is ultimately realised, it is written off against the provision previously.

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

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

The central scenario represents management's current view of the most likely economic outturn. During the period, the Group has assigned a weighting of 40% / 30% / 30% to the central, downside and upside scenarios in the ECL model.

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 methodology on which the ECL model is based has not changed from the financial statements dated 31 March 2019. The macroeconomic data inputs have been updated as at 30 September 2019.

Credit risk on gross loans and advances

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

	Stage 1 £'000	**Stage 2 £'000**	**Stage 3 £'000**	**Total £'000**
Risk Grades 1 – 5	31,017	3,314	-	**34,331**
Risk Grades 6 – 10	15,861	1,359	-	**17,220**
Risk Grade 11 -15	1,672	7,172	-	**8,844**
Risk Grade 16 - 17	-	9,587	-	**9,587**
Default	-	-	26,076	**26,076**
Total	**48,550**	**21,432**	**26,076**	**96,058**

The Company had no POCI loans during the period.

14. Trade and other payables

	As at 30 September 2019 £'000	**As at 31 March 2019 £'000**
	(Unaudited)	(Audited)
Trade payables	1,124	2,019
Corporation tax	136	49
Accrued expenses	1,789	2,004
	3,049	**4,072**

15. Interest bearing liabilities

	As at 30 September 2019 £'000	As at 31 March 2019 £'000
	(Unaudited)	(Audited)
Interest bearing liabilities due after one year, but less than five years	120,000	120,000
Funding line costs	(1,329)	(1,496)
	118,671	**118,504**

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

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

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.

£15m of bonds by principal value are held by LendInvest Finance No. 6 Limited, a fellow group company and an intercompany receivable of equal value currently sits on the Company's balance sheet, as the Company has not received any consideration for these bonds as at 30 September 2019.

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 2019 £'000	As at 31 March 2019 £'000
	(Unaudited)	(Audited)
Interest bearing liabilities	**118,671**	**118,504**
Deduct: cash as reported in financial statements	(7,580)	(1,157)
Net debt: borrowings less cash	**111,091**	**117,347**
Add back: unamortised funding line costs	1,329	1,496
Add: accrued interest	1,791	2,004
Net debt	**114,211**	**120,847**

16. 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 2019 and 31 March 2019 due to the nature of the asset. All financial liabilities of the Company are carried at amortised cost as at 30 September 2019 and 31 March 2019 due to the nature of the liability.

Financial instruments measure 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 2019 £'000	**As at 31 March 2019 £'000**
	(Unaudited)	(Audited)
Cash and cash equivalents	7,580	1,157
Trade and other receivables	17,944	32,941
Loans and advances	96,058	88,426
Total financial assets	**121,582**	**122,524**
Trade and other payables	2,913	4,023
Interest bearing liabilities	118,671	118,504
Total financial liabilities	**121,584**	**122,527**

16. 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 2019:

	As at 30 September 2019 £'000	**As at 30 September 2019 £'000**	**As at 31 March 2019 £'000**	**As at 31 March 2019 £'000**
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(Unaudited)	(Unaudited)	(Audited)	(Audited)
Financial assets				
Cash and cash equivalents	7,580	7,580	1,157	1,157
Trade and other receivables	17,944	17,944	32,941	32,941
Loans and advances	96,058	96,058	88,426	88,426
Total financial assets	**121,582**	**121,582**	**122,524**	**122,524**
Financial liabilities				
Trade and other payables	2,913	2,913	4,023	4,023
Interest bearing liabilities	118,671	118,132	118,504	117,735
Total financial liabilities	**121,584**	**121,045**	**122,527**	**121,758**

The fair value of the Retail Bond 1 interest bearing liability is calculated based on the mid-market price of £99.308 on 30 September 2019.

The fair value of the Retail Bond 2 interest bearing liability is calculated based on the mid-market price of £99.794 on 30 September 2019.

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.

16. 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);
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.

Financial instruments measured at fair value	**As at 30 September 2019 £'000**	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**
Loans and advances	**96,058**			96,058
Interest Bearing Liabilities	**(118,132)**	(118,132)		

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 Prepayment rates

16. Financial Instruments *(continued)*

Fair value reserve

Six months to 30 September 2019	**Financial assets £'000**	**Deferred tax £'000**	**Fair value reserve £'000**
Balance as at 1 April 2019	**(144)**	**27**	**(117)**
Movement in fair value adjustment for loans and advances at fair value through other comprehensive income	(466)	88	**(378)**
Fair value reserve at 30 September 2019	**(610)**	**115**	**(495)**

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 2019**	**+5bps £'000**	**-5bps £'000**
Prepayment rates	(610)	(610)	(610)
Probability of default	(610)	(610)	(610)
Discount rate	(610)	(632)	(587)

ECL sensitivity analysis has been completed on three distinct scenarios. The first being an increase in the forced sale discount by 10%. This would give rise to an increase in the total ECL of the book of £0.4m. Secondly, a 100% downside scenario has been applied to the portfolio. This would give rise to an increase in the modelled ECL provision of £0.3m. Thirdly, a 100% upside scenario was applied to the portfolio. This would result in a reduction of the modelled ECL provision of £0.2m

16. Financial Instruments *(continued)*

(d) Interest Rate Sensitivity

The sensitivity analysis below has been determined based on the exposure to interest rates as at the reporting date. A 50 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 50 basis points and all other variables were held constant:

Profit before tax for the year to 30 September 2019 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.

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

As at the reporting date, if interest rates reduced 50 basis points and all other variables were held constant:

Profit before tax for the year to 30 September 2019 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.

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

17. Share capital

	As at 30 September 2019 number	As at 31 March 2019 number
	(Unaudited)	(Audited)
Issued Ordinary Shares of £1 each	50,000	50,000

	As at 30 September 2019 £	As at 31 March 2019 £
	(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

18. 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.

19. Related party transactions

	6 month period ended 30 September 2019 £'000	6 month period ended 30 September 2018 £'000
	(Unaudited)	(Unaudited)
Intercompany intermediary fee income/(expense)		
LendInvest Limited	645	881

	6 month period ended 30 September 2019 £'000	6 month period ended 30 September 2018 £'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	162,139	68,407
Total value of loan balances transferred from the Company to related parties during the period	116,092	41,332

20. 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.

21. Events after reporting date

There were no events to report after the period end date.