lendinvest

Property finance made simple

Annual Report & Accounts 2022

What we do

We are the UK's leading asset management platform for property finance. We provide investors with a range of solutions to easily access and gain exposure to this market. For borrowers, we make it simpler to access this capital (as mortgages) through our platform

At a glance
See more on page 02

Business model
See more on page 08

Section 172
See more on page 23

Strategic Report

Governance

Financial Statements

For further investor information:
https://www.lendinvest.com/

Financial Highlights

For the year to 31 March 2022

Platform AuM

FY22	£2.1bn
FY21	£1.6bn
FY20	£1.3bn
FY19	£0.8bn

Revenue

FY22	£87.8m
FY21	£72.4m
FY20	£65.5m
FY19	£46.8m

Adjusted EBITDA

FY22	£20.3m
FY21	£10.7m
FY20	£4.1m
FY19	£4.3m

Basic EPS

FY22	8.3p
FY21	3.5p
FY20	(2.0)p
FY19	1.0p

Profit before tax

FY22	£14.2m
FY21	£4.9m
FY20	£(1.8)m
FY19	£0.5m

FY22 Highlights

Operational

- Listed on AIM in July 2021, raising £40 million to invest in our property finance product roadmap and the continued development of our technology.
- Upsize of J.P. Morgan Separate Account to £725 million through the sale of a £100 million portfolio of prime Buy-to-Let loans during September.
- A new £150 million financial partnership with Barclays and HSBC to fund short term bridging loans with a particular focus on the retro-fitting and renovation of the UK's ageing housing stock.
- Renegotiated and expanded our financial partnerships with Citi and National Australia Bank, improving capital efficiency, pricing and criteria.
- Closed our third residential-mortgage backed securitisation ("RMBS") in June 2021 ("Mortimer BTL 2021-1 plc") for £280 million, which achieved the best pricing on a UK Buy-to-Let securitisation in over 13 years.
- Relaunched our regulated bridging product.
- Launched our EPiC green mortgage product range.
- Launched our new Bridging broker portal.

Sustainability

- Since inception, more than £1 billion of existing property 'upcycled' through upgrade or conversion resulting a significantly lower environmental impact than ground-up construction.
- Since launch, more than £600 million of our Buy-to-Let loans were to properties where rent levels are affordable.
- To-date, more than 14,000 jobs created by our development lending programme.
- To-date, paperless systems and processes for borrowers has saved in excess of 7,200 kg of wood, 376,198 L of water, 35,935 kg of CO_2 and 2,488 kg of waste.
- Incentivising landlords and developers to improve the energy efficiency of properties through our EPiC green products.

At a glance

Who we are

We are an entrepreneurial team with deep sector knowledge and technological know-how. We have built the UK's leading asset management platform for property finance

FY22 FuM

£2.9bn

FY21: £2.5bn

FY22 Platform AuM

£2.1bn

FY21: £1.6bn

FY22 Revenue

£87.8m

FY21: £72.4m

FY22 Adj. EBITDA Margin

23.1%

FY21: 14.8%

FY22 Employees

227

FY21: 181

Our Mission

We are driven by our mission to harness technology and the ambition of our team to build the platform of choice for our investors, financial partners, borrowers, and intermediaries with the aim of making property finance simple.

Using our proprietary technology, we have built an asset management platform designed to provide our investor clients with a range of solutions to easily invest in the UK property finance market. For our borrowers, we make the process of applying for a mortgage simpler: less forms to fill, documents to copy and time to wait for approval.

Overall we have created a better customer experience for our borrowers, intermediaries, and investors.

Since inception we have lent more than £4 billion in mortgage finance and have helped to put thousands of new and improved homes into the UK housing market. In that time we've built a truly international capital base. Today, our funders and investors include pension funds, insurers and global institutions including HSBC, J.P. Morgan, Citigroup and National Australia Bank.

Our Values

Our business is driven by a core set of values, shared by all our employees.

- **Simple is best.** We make property finance simple; making it easier for our customers and ourselves and increasing the speed of decision making to get to a 'yes'.
- **We get it done.** We work smart to deliver quickly and then make things even better.
- **New finance.** We are entrepreneurial and innovative; creating a better customer experience and disrupting the established way of providing property finance.
- **We are playing to win.** We are ambitious; we have fun; we work as one team to create the best platform for property finance.

Investment case

Our technology disrupts

Our service differentiates

Our people are dedicated

Our customers win

#1

Competitive edge underpinned by proprietary technology

#2

Proven ability to launch and scale new products

#3

Large and diverse pools of investor capital

#4

Technology investments driving scale and efficiency

#5

High quality and passionate management team

Executive Chair's Statement

We have delivered impressive growth and are ready for the year ahead

Christian Faes
Co-Founder & Executive Chairman

FY22 FuM

£2.9bn

FY21: £2.5bn

Dividend per share

4.4p

FY21: n/a

Dear Shareholders,

Our vision

It is a great pleasure to present to you our first Annual Report as a publicly listed company. It has been a landmark year for LendInvest and we have delivered on the commitments outlined at the time of our IPO. We are driving the digitalisation of the UK property finance market and capitalising on the significant long-term opportunities being created.

Ian Thomas and I set up LendInvest in 2008 with the aim to make property finance simple. It was then, and remains our belief now, that the property finance market is one of the few remaining verticals in the UK financial services sector yet to be disrupted by technology. It has historically been characterised by rigid products, poor customer experience and manual, paper-based processes.

Over the past 14 years, we have spent more than £50 million in developing our proprietary technology and digital solutions that have allowed us to capture market share from incumbents and attract significant third-party capital. We are driven by our mission to harness technology and the ambition of our team to build the platform of choice for our investors, financial partners, borrowers and intermediaries.

Our approach

From day one, customer experience has been at the centre of our approach. As our track record has grown, so has our reputation for originating high-quality assets and producing stable returns for our investors and financial partners. This has helped to create a virtuous cycle that has allowed us to optimise products and investment solutions for our borrowers and intermediaries.

A milestone year

The IPO has allowed us to accelerate our technology roadmap, expand into new areas of property finance, and attract new investors, brokers and borrowers to our platform. The listing was an important component in our growth journey.

It has been a great year for LendInvest. Platform Assets under Management ("AuM"), which represents deployed capital, increased by 36% during the year, driven by strong demand for our Buy-to-Let offering. Meanwhile, Funds Under Management ("FuM"), which we define as total committed capital including invested and unvested amounts, increased by 18% during the year.

More recently in May 2022, we completed our fourth securitisation for £270 million of UK prime Buy-to-Let mortgage loans in an oversubscribed Residential Mortgage Backed Security transaction. Despite challenging market conditions, the transaction attracted three new investors to the platform, including one of the largest building societies, demonstrating robust investor demand for this attractive asset class. We expect to complete further partnerships as the year progresses.

We are proud of how we are changing our markets and how our agile structure allows us to innovate and develop solutions at speed. While we have seen strong growth across the operational side of the business, we have also delivered strong growth in profitability. Adjusted EBITDA increased by 90% to £20.3 million and profit before tax increased by 190% to £14.2 million.

As a reflection of the confidence the Board has in the business, its growth prospects, and our cash generation, the Board has decided to recommend to shareholders the payment of our maiden dividend of 4.4p per share. Going forward our target is to be able to recommend annual dividends that grow year on year. The dividend recommendation is subject to approval by shareholders.

Product innovation has always been an important driver of growth at LendInvest and last year we launched our EPiC 'green mortgage' product range. This product range incentivises landlords to refurbish and increase the environmental efficiency of their properties and has been highly successful, leading to a 27% increase in Buy-to-Let applications. In addition to launching our EPiC range, we were the first in the market to respond to borrower concern over rising interest rates and desire for a longer term fix product, by launching our 7-year fixed rate Buy-to-Let mortgage. It has been successful, accounting for 31% of Buy-to-Let completions between January and March 2022.

Sadly, the last two years will always be remembered for the COVID-19 pandemic and its impact, not just on the health of our communities, but also on our economy. As your Chair, I'm proud to see the great resilience of our people and their commitment to the business under such difficult circumstances.

Our markets are fundamentally attractive and our customers are increasingly demanding a better quality of service. We won't let an inflationary environment or the consequent outlook for interest rates detract from our customer focus. I am proud to be chairing a business that listens to its customers, understands the benefits of being innovative, develops new technologies, and offers proactive customer care.

Looking ahead

There is much work to do, we have made significant progress this year. We have exciting opportunities now and into the future, as we continue to focus on making property finance simple and delivering value for all our stakeholders. I would like to take this opportunity on behalf of the Board to thank everyone in LendInvest for their continued dedication and hard work during the year.

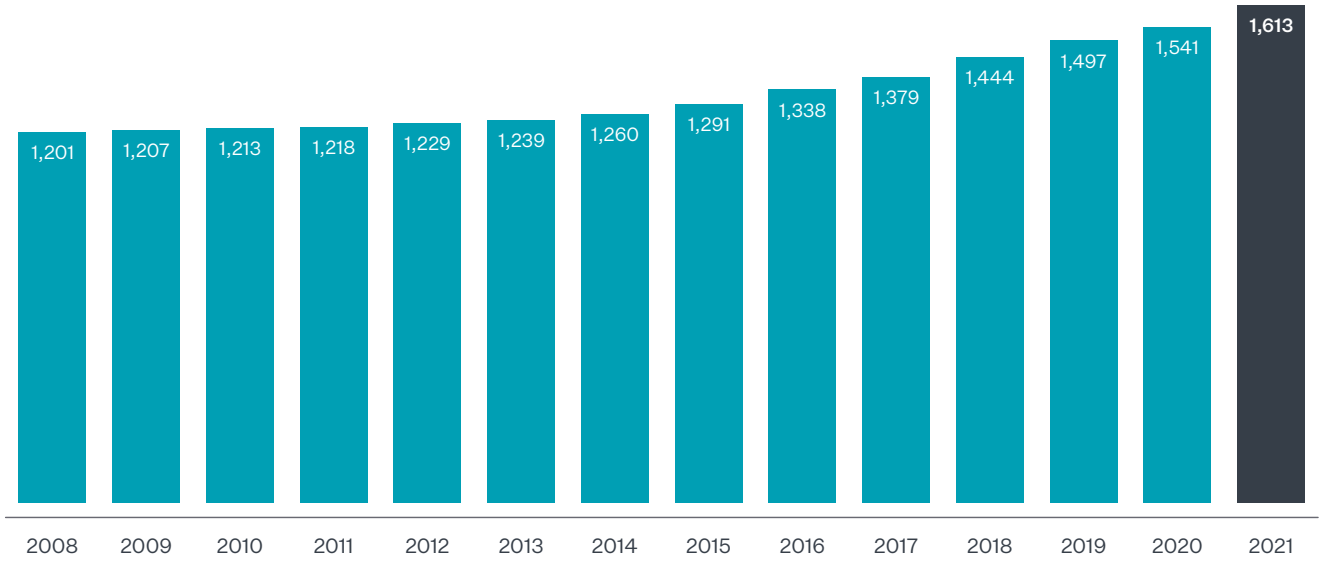
After 14 years of actively building this business, I have never been more excited about where we are as a company and our future. With an exceptional executive management team in place, and our successful transition to a public company complete, I am looking to transition to a more traditional non-executive chairman role in the coming year. This has been extensively discussed with my co-founder, and the directors on our board, and there is agreement that this is the right thing to do for all stakeholders - although as a founder and major shareholder I can assure everyone that I will remain very actively involved with the company.

Market overview

A huge market, ripe for disruption

The UK property finance market represents approximately £1.6 trillion of outstanding residential mortgage balances, a number that has been consistently growing over the past 15 years (see Chart 1). This market is impacted by a number of factors including the supply and demand of property, government policy, regulation and the cost of borrowing for buyers.

Chart 1 – Market sizing
Outstanding Residential mortgage balances (£'bn)



The market is served by a large number of lenders that specialise and cater to specific segments of the market such as homeowner mortgages, Buy-to-Let mortgages, bridging, and development loans. Borrowers include owner occupiers (first-time buyers, home movers, and those seeking an equity release mortgage), Buy-to-Let investors (landlords) and property developers. The market remains characterised by rigid products, poor customer experience and manual, paper-based processes. Technology has the potential to transform the market by making processes easier and more efficient, consequently increasing the frequency with which market participants transact.

A growing population and continued increases in net immigration are just some of the factors which have driven demand for housing in the United Kingdom. At the same time, too few homes have been built to increase supply. The UK Government has sought to address this imbalance in a number of ways, and in 2017 announced a target of raising housing supply to 300,000 new homes a year by the mid-2020s. However, despite increasing post-2013 and recovering to pre-COVID levels, net additional dwellings per annum in England remain well below the Government's medium-term target.

The main property finance products in the United Kingdom include, but are not limited to, homeowner mortgages, Buy-to-Let loans, bridging loans, and development loans. The mainstream homeowner mortgage market is the largest, with approximately £1.1 trillion of loans outstanding. We currently provide bridging, development and Buy-to-Let products, and expect to launch our first long-term homeowner product within the specialist segment of the market by the end of FY 2023. Our technology platform is highly scalable into other segments of the property finance market.

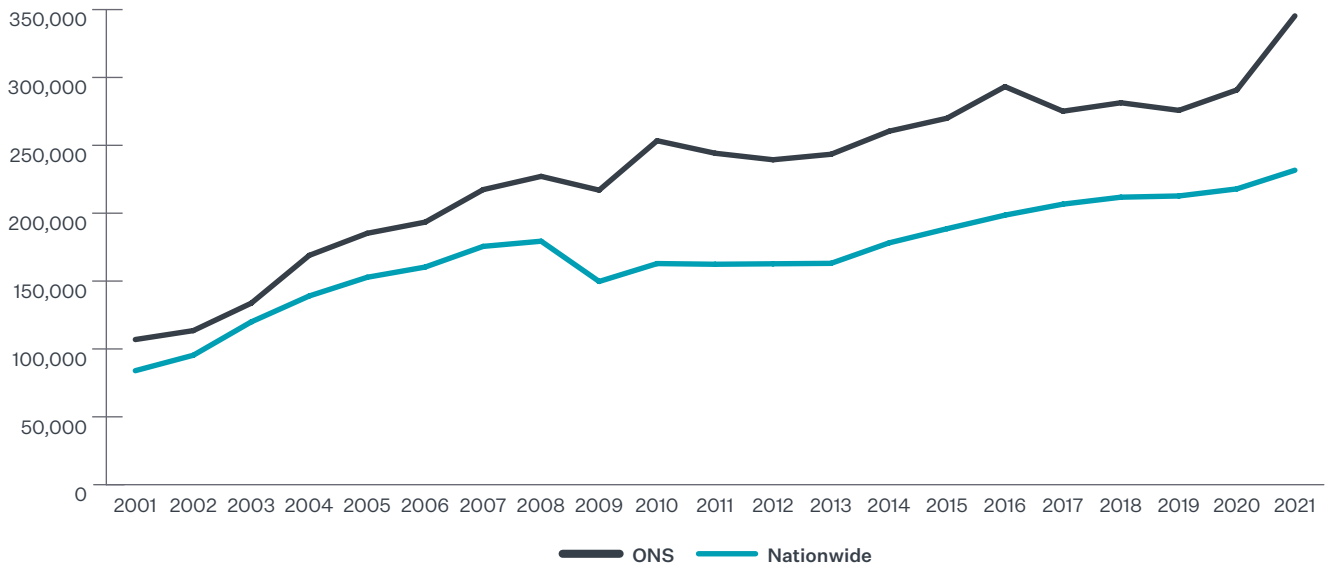
Interest rates have remained low over the past 10 years. In order to stimulate the economy following the global financial crisis in 2008, G7 central banks reduced interest rates to almost zero and introduced quantitative easing. It was only with the recent rise of inflation that the Bank of England started to increase the base rate.

In response to the rising interest rate environment, we have seen an increase in lending rates charged to borrowers, as lenders look to pass on the incremental cost of funding. We expect this trend to continue.

As rates rise, we expect house price growth will slow down, although continue to remain positive over the short-term, driven by the supply-demand imbalance and growing population within the UK.

Supply/demand imbalance driving up house prices

Chart 2
UK average house prices (£)



The rise of alternative investments

Over recent years, many investors have sought to diversify traditional asset portfolios through investment in alternative assets, including various types of credit investment.

Asset-backed property lending – and in particular residential property debt – provides attractive risk-adjusted returns to investors as an alternative to more traditional income focused investments. House prices in the UK have been supported by limited supply and household formation and it is expected that these trends will continue into the medium term.

Lower levels of lending by banks in specialist segments

Following the global financial crisis in 2008, UK high street banks retrenched from more complex areas of property lending, including professional Buy-to-Let, development and bridging finance, to refocus on core activities such as mainstream mortgage lending. The drivers for this retrenchment include the higher capital charges that typically apply to such specialist lending, and also because such lending typically requires more specialist, and usually manual, underwriting. The underwriting systems and processes of the high street banks could neither provide borrowers with the tailored product that they desired, nor senior management with sufficient comfort over the credit risk being assumed.

In addition, regulatory and tax changes have led to a professionalisation of the market. Prior to these changes, a much higher proportion of the Buy-to-Let market was owned by amateur and individual landlords. Since the shift towards professionalisation of the market, the systems and processes of the high street banks have struggled to assess the credit risks entailed by more complex applications made by professionals.

Additionally, a wider impact of COVID-19 will be to complicate the credit histories of many self employed and contract worker homeowners. As a result, a larger proportion of homeowner property loans will have increased underwriting complexity, underpinning the need for much greater use of technology to assess credit risk. We expect to launch into the specialist homeowner market segment before the end of FY 2023. Our technology platform is ideally suited to originating assets in that segment with attractive risk and returns.

Intermediation in UK mortgage lending

The UK mortgage market is heavily intermediated between borrower and lender by mortgage intermediaries; 79 per cent of all mortgage borrowers in the UK source their loans through a broker. This percentage is even higher for Buy-to-Let and the specialist mortgage types that we currently offer. This trend is likely to continue, given the importance that UK policy makers and regulators attach to consumers receiving advice on the appropriateness of their mortgage choice by an appropriately qualified adviser.

The extent of mortgage intermediation materially reduces our cost of asset acquisition, compared to other financial services products offered on a direct-to-consumer model.

Digital transformation in society

Interactions with tech-enhanced platforms in everyday life outside of the property finance market have created an expectation of what should be achievable in terms of service and speed of execution. The UK property finance market still remains well behind other markets in terms of the levels of automation and use of technology to improve customer journeys.

Our use of automation and technology to improve transparency, speed of execution, efficiency and service resonate strongly with borrowers, intermediaries and investment professionals tasked with managing institutional capital through our platform. This impact is of particular relevance for Intermediaries using the platform, as they are more likely to interact with various different lender systems on a day-to-day basis, and are therefore likely to be focused on the efficiency of the process.

Our Business model

The property finance **Marketplace**

Our proprietary technology platform provides our investors with opportunities to gain exposure to the UK property finance market, and is also the gateway for brokers and borrowers to efficiently access our mortgage products.

We provide some of the largest financial institutions such as J.P. Morgan, HSBC, Barclays and Citi with efficient access to invest at scale in the UK property finance market with attractive risk-adjusted returns.

Using this capital, we provide borrowers with mortgages through our platform in contrast to the often archaic incumbent property finance sector, that has historically been characterised by rigid products, poor customer experience and manual, paper-based processes.

Investors & Financial Partners

We define total capital committed including invested and uninvested amounts as Funds under Management

FUNDS UNDER MANAGEMENT

£2.9bn

FUNDS & SEPARATE ACCOUNTS
£1.2bn

RMBS SECURITISATIONS
£0.8bn

FINANCIAL PARTNERS & BONDS
£0.9bn

Brokers & Borrowers

Once the capital is lent out or deployed, we define that as Platform Assets under Management

PLATFORM AUM

£2.1bn

BUY-TO-LET
£1.5bn

BRIDGING
£0.4bn

DEVELOPMENT
£0.2bn

Investors & Financial Partners

Our investors and financial partners can access the UK property finance sector using our platform. They invest in the property loans that we originate through a variety of investment products and solutions. Our investment products seek to address their varying risk appetites and investment criteria, and enable them to earn attractive, risk-adjusted returns.

Our loan engine provides investors and financial partners with the data sets that they require for their ongoing reporting, enhancing customer experience and engagement.

We attract a wide range of investors and financial partners, from private investors to some of the world's largest institutional investors. This diversity of investors and financial partners is critical to providing a scalable, resilient and flexible asset management platform. We continually seek to attract new investors and to deliver an increasibly wide range of products.

We co-invest alongside our investors and financial partners in some of our investment products and solutions, such as in our RMBS transactions. Co-investment aligns our interests with those of our investors and financial partners, supporting a stable platform for growing FuM. To that end, we have found that co-investment represents an efficient solution to seed new products.

Brokers & Borrowers

For borrowers and brokers, we provide a digital end-to-end platform to apply for property finance and to manage their applications. This significantly improves the traditionally cumbersome and time-consuming mortgage application process which is driven by legacy internal processes on the lender side.

Through our platform, when finance is required at short notice, we can complete loans in a matter of days or weeks. We also offer our borrowers complementary property finance products, providing them with a comprehensive solution for their property financing needs, allowing them to seamlessly transition through investment projects. This translates into strong repeat rates, enabling us to generate efficiencies and, in turn, drive further value for our platform.

Our current borrower products set consists of short-term loans (including Bridging and Development loans) and Buy-to-Let loans. Our technology platform has been engineered to drive scale and efficiency across the business, and to enhance the overall customer experience.

Diverse revenue sources

Customer	Revenue	Amount (£m)	Recurring*	Driver	% of total revenue
Investors & Financial Partners	Management fees	21.8	✓	Platform AuM	25%
	Servicing fees		✓		
	Performance fees		○		
	Gain on derecognition of financial assets		○		
Brokers & Borrowers	Interest income	58.6	✓	Platform AuM	75%
	Arrangement fees	7.4	○	Loan completions	

* Recurring revenue relates to contracted payments over time for the ongoing service received.

CEO statement

I am pleased to report another year of strong growth in Platform AuM and profitability, underpinned by our technology

Rod Lockhart
Chief Executive Officer (CEO)

Performance

FY22 FuM
£2.9bn
FY21: £2.5bn

FY22 Platform AuM
£2.1bn
FY21: £1.6bn

FY22 Profit Before Tax
£14.2m
FY21: £4.9m

Financial progress

I am pleased to report another year of strong growth in Platform AuM and profitability. Our growth is underpinned by our proprietary end-to-end technology infrastructure, which drives efficiency and facilitates operating leverage as well as delivering a more seamless process for our customers.

Platform AuM increased by 36% to £2.1 billion for the year to 31 March 2022 and funds under management increased by 18% to £2.9 billion. This led to an increase of 21% in revenue and 32% increase in gross profit. Driving performance was the strong demand for our Buy-to-Let products and the completion of a number of capital markets transactions.

Adjusted EBITDA increased by 90% to £20.3 million for the year and profit before tax increased by 190% to £14.2 million, demonstrating further improvement in operating leverage over the period.

Our business is highly cash-generative, and these cash flows support returning capital to shareholders via ordinary dividends. The Board has recommended paying a maiden dividend in respect of the whole of the 2022 financial year of 4.4p per share and proposes subsequently to adopt a progressive dividend policy.

Strategic progress

We have enjoyed significant progress during the year with a number of strategic highlights that have contributed to a record level of FUM.

On the funding side, we completed our third securitisation for £280 million and a new £150 million financial partnership with HSBC and Barclays. In addition, we extended our £725 million separate account mandate with J.P. Morgan and the £500 million financial partnerships with Citi and National Australia Bank. Being able to attract such large and diverse pools of capital from existing and new investors demonstrates their trust in our platform to originate and manage their exposure to property finance.

During the year, we surpassed £4 billion in lending to date, as well as £2.1 billion in Platform AuM, two fantastic milestones for the business. It was a huge achievement to pass the £2 billion Platform AuM milestone in January. We took over 10 years to reach £1 billion of Platform AuM in July 2019, but reached £2 billion just 30 months later.

Driving the growth in Platform AuM is our ability to launch and scale new products. We have been able to demonstrate this over the years by launching into Bridging, Development and Buy-to-Let. Over the past year we continued this trend by relaunching a Regulated Bridging product, and our innovative EPiC green mortgage range within Buy-to-Let, which has been a huge success.

Our competitive edge is our technology. At the IPO, we said that we wanted to accelerate our technology roadmap, and we have done exactly that. This has enabled us to launch our new bridging broker portal, and to accelerate the development of our Specialist Homeowner product which we aim to launch in the second half of FY 2023. This is a significant new market segment for the business. The specialist homeowner segment is ripe for disruption by technology due to the complex nature of the loans, the lack of automation in the application process and poor customer experiences.

CEO statement continued

We're delivering what we said we'd do at IPO

Over the past 12 months we've been busy delivering on our IPO commitments

Growing our FuM and Platform AuM

- £150 million financial partnership with Barclays & HSBC ✓
- Upsize of J.P. Morgan Separate Account to £725 million ✓

Launch new products

- Relaunched Regulated Bridging product ✓
- Launched our EPiC green mortgage product range ✓

Accelerate tech roadmap

- Launched the new Bridging broker portal ✓
- Homeowner Specialist product on track for launch ✓

We've been busy, but there's much more to do

Over the next 24 months we plan to:

Growing our FuM and Platform AuM

- Additional separate accounts and funds
- Refinance of our Bond programme

Launch new products

- Portfolio Buy-to-Let product launch
- Homeowner Specialist product launch

Accelerate tech roadmap

- Development of machine learning models
- NextGen Buy-to-Let experience

ESG

Creating a positive impact on the environment, the communities our borrowers serve and our talented people is at the heart of our approach.

From rewarding borrowers that use environmentally sound practices and contributing to social regeneration, to supporting our employees' career development and fostering diversity and mental health awareness, we seek to do right by all of our stakeholders.

People and culture

The dedication of our talented team, our high-quality customer service and our continued investment in technology has enabled us to deliver strong growth.

We have grown the team by 26%, with growth of 76% within our technology teams. This is especially pleasing given the backdrop of a highly competitive hiring market, particularly in the technology sector. This is testament to our talented team, culture, and the quality of the technology we have built to date.

Over the past 14 years, the Group has benefited from Christian Faes' entrepreneurialism, foresight and judgement. Over the coming year, he will transition his role from Executive Chair to a more traditional non-executive Chairman role. The board and the entire management team look forward to continuing to work closely with Christian and benefiting from his vision.

Outlook

The tragic events in Ukraine have created global uncertainty and macro headwinds. We're now dealing with the highest inflation since 1982 and interest rates have risen to their highest point in 13 years.

Despite this backdrop the property market continues to be strong with growth of 9.7% in average house prices over the 12 months to March 2022. Although we expect this growth to slow down, we do not see this as a material concern. We have a relatively low loan-to-value of below 70%, providing some protection from the risk of needing to absorb any losses from potential defaulting borrowers, even in a contracting market.

The rising interest rate environment and volatility in interest rate swaps has been challenging, particularly for pricing our Buy-to-Let products. Our strategy has been to pass on the rising costs with higher borrowing rates, as well as offering longer term fixed rate products that have been hugely popular.

The diversity of both our types of funders and our lending product range is one of our key strengths. This alongside the agility of our platform allows us to change product mix, launch new products, and adjust risk appetites as market conditions change. For example, we recently launched a Portfolio Buy-to-Let solution backed by a separate account with a US annuity provider.

The combination of these factors provides for a resilient business model and one that gives us confidence of meeting market expectations.

Strategy

Using technology to disrupt one of the few remaining verticals in UK financial services. Our core strategy is to:

Grow

We grow our platform investor base (our "FuM") by taking advantage of prominent, developing trends that include a shift towards private debt, a growing preference for real assets, and alternatives with an ESG focus.

We match the investment requirements of bank treasuries, pension funds and insurance companies with the long-term, secure, stable income-producing asset class of UK property finance.

Progress during the year

Grow FuM

- Increased the J.P. Morgan Separate Account by £100 million to £725 million
- Agreed a new £150 million financial partnership with Barclays and HSBC
- Successfully closed our third RMBS, which achieved the best pricing on a UK Buy-to-Let securitisation in over 13 years
- Renegotiate and expanded financial partnerships with Citi and National Australia Bank

Optimise

We optimise our FuM by continuously seeking the most appropriate investors and financial partners to match the risk-reward profiles of our assets, leveraging our loan engine technology which automates and optimises loan allocation and management.

We perform advanced data analytics to iterate our credit model and improve the risk adjusted returns provided to investors and financial partners.

As a fast growing and agile firm we are constantly reviewing costs to further grow profitability and optimise shareholder returns.

Progress during the year

Use technology to improve operating leverage

- Opex as % of Platform AuM improved from 1.5% to 1.3%

Continue to grow profitability

- Adjusted EBITDA growth of 90%
- Glasgow has been selected as the location for our second UK office. It provides a pool of talented individuals and significant efficiencies versus Central London. The office will open later this year

Expand

We expand our Platform AuM by delivering a superior service, leveraging our Genesys technology to create a seamless application process. This leads to increased broker conversion and higher repeat rates, resulting in a "flywheel" effect.

Our technology also enables us to introduce new products (such as Specialist Homeowner mortgages and portfolio Buy-to-Let) at scale and penetrate the markets that we do not yet operate in.

Progress during the year

Broker repeat rates

- High repeat rates of >65% in the past 12 months

New brokers to the platform

- 519 brokers have submitted an application for the first time in the past 12 months

Invest

We continue to innovate and invest in our technology infrastructure, further improving the customer experience.

Further technology development will also enable the launch of new products, such as Specialist Homeowner, that will provide more growth verticals for our business to expand.

Progress during the year

Accelerate technology roadmap

- New Bridging broker portal launched
- Increased tech headcount by 76%

Grow in existing products

- Strong growth in Platform AuM
- Record Buy-to-Let AuM growth and applications

Launch new products

- Launch of our EPiC green mortgage product range
- Relaunch of Regulated Bridging product
- Specialist Homeowner product on track for launch

Strategy in action

Making property finance simple, by bringing it online

Building out our proprietary technology platform and developing experiences that make property finance simpler for our customers is a core initiative for the business.

One of the latest innovations has been the launch of a bridging broker portal for intermediaries. The portal allows intermediaries to enquire, apply and manage all of their bridging finance deals in one place. The wholly-online process uses the latest technology to deliver a simpler approach to bridging deals, saving time for both the broker user and underwriting teams who can process deals more quickly.

The portal provides a comprehensive solution to case management, removing the need for paper-based applications by utilising eSignatures, allowing customers to verify their identity online, and speeding up the credit check process using open banking infrastructure.

Supporting this launch has been the continued development of our Genesys platform by extending existing third-party integrations across products, and implementing new services to accelerate our digital collection of data improving the speed of the packaging, underwriting and case management processes.

Migrating to a fully cloud-based data platform based on an analytics engineering approach to data warehousing; streaming, transforming and orchestrating data using a suite of open source technologies, has allowed the business to deliver data insights faster, drive efficiency and enhance the customer experience.

Link to our strategy

Our new bridging broker portal sits within Genesys, our proprietary technology platform, and further supports LendInvest to grow at scale, while efficiently originating high quality property finance loans and providing partners with access to an asset class with attractive risk-adjusted returns.

Strengthening our funding structure with new financial partnerships

Providing security of funding for our customers is non-negotiable as a responsible lender in today's market. We currently boast a highly diversified funding base, from institutional funding partners to RMBS and bond programmes.

Last year has seen this funding base expand further, including a £150 million partnership with HSBC and Barclays to support our short-term lending origination. This builds on our existing relationship with HSBC, while onboarding Barclays as a new financial partner.

In January 2021 J.P. Morgan agreed a financial partnership with the company, joining a growing roster of global financial institutions working with LendInvest, including Citi, National Australia Bank, HSBC, and most recently, Barclays.

This partnership expanded this year, with the completion of a £150 million loan portfolio sale from the business to J.P. Morgan, made possible by strong market conditions and performance of our Buy-to-Let portfolio.

Barclays is proud to partner with LendInvest to fund the growth of its bridging finance business. LendInvest is one of the leading fintech property lenders in the UK and their knowledge, expertise in the property lending market, and technology-enabled offering makes this a terrific partnership.

Sean White
Managing Director of Securitised Products Solutions, Barclays.

Link to our strategy

The extension of the funding partnership with J.P. Morgan is reflective of our intention at IPO to optimise our funds under management, while at the same time moving more assets off our balance sheet and strengthening our funds management business model.

Key performance indicators

Strong growth across all of our key measures

Platform AuM
36% ↑

2022: £2,146.1m
2021: £1,573.3m

What we measure
In simple terms, Platform AuM is the amount of money our customers have borrowed from us. The more they borrow, the more we can earn.

In less simple terms, we measure Platform AuM as the (i) total amount of outstanding loans and advances[1] and (ii) off-balance sheet assets, which is the total amount of outstanding loans and advances[2] that we originate but do not hold on our balance sheet, comprising those loans that are held by our off-balance sheet entities.

How we performed
Platform AuM increased 36% to £2.1 billion driven by a 67% increase in Buy-to-Let platform AuM. This was underpinned by strong growth in FuM following the extension of our J.P. Morgan Separate Account and our third residential mortgage-backed securitisation ("RMBS") of £280 million BTL loans in June 2021.

FuM
18% ↑

2022: £2,936.6m
2021: £2,483.6m

What we measure
In simple terms, FuM is the amount of money our investors have given us to invest into the UK property finance market on their behalf. The more money they invest with us, the more we can lend to our borrowers ergo the more we can earn.

In less simple terms, FuM is the aggregate sum available to us under each of our funding lines. Our FuM is used to originate revenue generating AuM. We view the difference between the FuM and Platform AuM as the headroom for future growth.

How we performed
FuM increased 18% to £2.9 billion as we extended the J.P. Morgan Separate Account agreement and completed our third RMBS of £280 million BTL loans in June 2021.

Revenue
21% ↑

2022: £87.8m
2021: £72.4m

What we measure
Revenue includes income generated from interest on loans and advances, origination and loan fees, and asset management, fund and servicing fees. We also generate gains on derecognition of financial assets when we sell loans, which have previously been held on our balance sheet, to third party investors.

How we performed
Revenue increased 21% to £87.8 million reflecting higher fees and interest income generated as a result of the increase in Platform AuM.

1 Includes accrued interest, and gross of impairment provisions and fair value adjustments, as reported on an IFRS basis in the notes to the accounts in our Financial Statements.
2 Includes accrued interest.

Adjusted EBITDA 90% ↑

2022: £20.3m
2021: £10.7m

What we measure

The Adjusted EBITDA figure represents our earnings before interest, tax, depreciation and amortisation, adjusted for any non-cash income or expense items.

Growth in adjusted EBITDA supports our free cash flow which helps fund our investments for growth and shareholder returns.

How we performed

Adjusted EBITDA increased 90% to £20.3 million driven by continued operational leverage and efficiency gain from technology investment.

Profit Before Tax 190% ↑

2022: £14.2m
2021: £4.9m

What we measure

The Group's profits before consideration of taxation.

How we performed

Profit before tax increased by 190% to £14.2 million. This improved due to the growth in revenue and gross profit margin, in addition to profits arising from the transfer of a £100 million portfolio of BTL assets to J.P. Morgan under the separate account agreement.

Diluted EPS 142% ↑

2022: 8.0p
2021: 3.3p

What we measure

Growth in diluted EPS reflects the increase in profitability of the business, change in the tax rate and adjusted for the effects of potentially dilutive share options.

How we performed

Diluted EPS increased 142% to 8.0p.

ESG

LendInvest sits in an important position in the property finance ecosystem

Introduction

As a property finance asset manager we have an important role to play given the level of carbon emissions that emanate from the UK's aged housing stock. We welcome the UK Government's policy paper, 'Net Zero Strategy: Build Back Greener', that was published in October 2021 and built our own ESG strategy with this in mind. In the words of the Government, we must bring about a green industrial revolution and we hope to be able to offer products and solutions to both borrowers and investors that will help make this possible.

The nature of our business model means we are at the frontline of combating energy inefficiency and environmental impact. Our products provide borrowers with the finance they require to invest in property assets that will need to meet future Minimum Energy Efficiency Standards ("MEES"). We incentivise landlords to retrofit homes with our EPiC range of green mortgage products. Our most recent securitisation ("Mortimer BTL 2022-1 plc"), shows how our underlying pools of assets outperform Private Rental Sector averages from an energy efficiency perspective. Our digital-first ethos means we are operationally less impactful on the environment and society when compared to more traditional, paper-heavy financial institutions.

As we look forward, we will continue our journey to reduce our carbon footprint and ultimately to offset emissions to zero.

ESG strategy

Since IPO, we have continued to develop our ESG strategy to incorporate feedback and considerations from our capital markets investors, shareholders, employees, regulators and other stakeholders. It is a strategy aligned with nine of the 17 United Nations' Sustainable Development Goals (the "Goals") that we are best served to contribute towards.

The nine Goals are:

Environment

Our impact on the natural environment and our response to the challenge of climate change including energy consumption, generation and use of renewable energy, biodiversity and habitat, impact on water resources and the status of water bodies, pollution, resources efficiency, and the reduction and management of waste.

Our approach to the environment considers the impact of our business both at the asset management and platform level and the subsequent ways that we can mitigate this impact. The UK's built environment accounts for 20-30% of UK emissions and so supporting products and initiatives that decarbonise the sector will produce positive externalities for society.

Asset Management: Assessing the impact of our financing and the portfolios of assets we provide capital for. Our initiatives focus on encouraging environmentally friendly behaviour among borrowers by creating tailored financing solutions, fee discounts, rate discounts and thought leadership, with the target of lowering emissions from our Platform AuM.

Operating Platform: Assessing the impact of our day-to-day operations and our staff. Our initiatives focus on lowering emissions operationally, by minimising waste and increasing energy efficiency, which is achieved through proprietary digital solutions and leasing office space rated BREEAM Excellent.

1 Source: Kamma EPC register sweep March 2020. 36.1% of UK PRS had an EPC of C or above versus 47.1% for LendInvest in the Mortimer 2022-1 BTL plc RMBS pool.

Social

Our interaction with employees, customers, SME borrowers, suppliers, stakeholders and the communities in which we operate. Our role in society, including workplace policies (e.g. employee engagement, diversity and equality of treatment, health and safety and well-being), and contribution to the broader community through social projects and charitable donations.

Our approach to society considers our interaction with our employees, customers, suppliers, stakeholders and the communities in which we operate. This means our policies promote inclusivity in the workplace, which is a precursor to diversity. We ensure our staff have a fair, safe and productive space to work and we regularly engage with them to understand where we can improve. We are committed to ensuring that slavery and human trafficking is not present in our business or within our supply chain and we run various charitable initiatives throughout the year to support a range of employee-led causes.

Governance

The ethical conduct of our business including our corporate governance framework, policies, codes of conduct (e.g. related to bribery, corruption and money laundering risk), due diligence and onboarding policies and procedures, and the transparency of our reporting procedures.

Our approach to governance considers the ethical conduct of our business including our corporate governance framework, policies (e.g. those related to bribery, corruption and money laundering risk), cyber security, due diligence, onboarding and the transparency of our reporting procedures. Good governance is central to the successful execution of our ESG and overall business strategy, as it enables decisions to be made effectively and efficiently, taking into account the views of and impact on each of our stakeholder groups.

Our governance structure is designed to reflect a company of our size and complexity. Accompanying the structure is a framework of policies, standards and procedures which help us operate our business efficiently and effectively, allowing us to responsibly contribute to wider society. We operate in accordance with all applicable laws and regulatory requirements and provide a mechanism for our employees to raise any matters of concern. All employees are required to conduct mandatory compliance training tailored to their role on a yearly basis.

ESG Committee

We have established an Executive-level ESG committee which is primarily responsible for:

- recommending the ESG strategy, policy and key performance indicators for the Group and overseeing their implementation;
- working with the culture and community committee and the diversity and inclusion champions, both of whom report to the ESG Committee, to drive engagement and inclusion within the business on ESG initiatives; and
- ensuring that the Company provides appropriate information regarding its ESG related policies and objectives with the investment community and key stakeholders.

Key activities

- We launched our EPiC range of mortgage products that generated 48% of our Buy-to-Let mortgage applications in the final 6 months of the year.
- We have used digital tools to reduce the environmental impact of our business operations, resulting in saving 35,935kg in carbon emissions, 2,488kg in waste, 376,198l of water and 15,310kg of wood.
- Additional highlights from the year include our partnerships with Climatecare, Kamma and Homes England.
- Supported the Homes for Ukraine initiative.
- Appointed our fourth INED to provide a balance of independent and executive directors on the Board.

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.

The Group's significant increase in travel related emissions are largely a result of changes in working practices following the lifting of COVID-19 restrictions. 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.

*The 2021 comparative figures are higher than were reported in the prior year. The change arises from revised assumptions that more accurately reflect the Group's electricity consumption.

	Scope	2022 (Energy consumption, kWh)	2022 (Emissions, $kgCO_2e$)	2021 (Energy consumption, kWh)	2021 (Emissions, $kgCO_2e$)
Purchase of electricity and heat purchased for own use	2	72,126	15,315	68,092*	14,458*
Employee business travel including flights, train, rental car, own car trips	3	86,518	21,698	30,063	7,539
Total		**158,644**	**37,013**	**98,965**	**21,997**
Emission intensity (Tonnes of CO_2e per £1m of revenue)			0.4		0.3

S172 statement

Engaging with our stakeholders/ Section 172

Under section 172 of the Companies Act 2006, a director of a UK company must act in the way they consider would be most likely to promote the success of the company for the benefit of its members as a whole. In order to effectively discharge our responsibilities as directors in accordance with section 172, we continuously have regard to the following matters:

- The likely consequences of any decisions in the long term;
- The interests of the Company's employees;
- Relationships with customers, regulators and others;
- The impact of the Company's operations on the community and environment;
- Maintaining a reputation for high standards of business conduct; and
- The need to act fairly between members of the company.

By aligning all our decision making to the vision, values and mission of the Company alongside strategic priorities and due consideration of all stakeholders, we strive to achieve consistency in all of our decisions.

We review the principal stakeholders on an annual basis and throughout the year when reaching decisions, considering whether there are any additional groups whose interests may be related to the Company's operations. Our key stakeholders are listed below and we explain why we consider them to be an important stakeholder, and how we engage with each of them.

Employees

Why our employees are a key stakeholder

Our employees are key to our continued growth and success. The wellbeing of our employees is considered as part of our decision making processes. We strive to create a diverse, inclusive and great place to work through supporting, nurturing and developing our talent, and act as a responsible employer in our approach to the compensation and benefits our employees receive.

How we engage with our employees

We hold monthly Company Updates. These are an opportunity to update everyone on our strategic goals, financial performance and to recognise and celebrate success across the business. They are also an opportunity for all employees to ask anonymous questions and put forward suggestions and we receive high levels of attendance and engagement.

We also have:

- Fortnightly anonymous company satisfaction surveys.
- A social activity programme including fundraising initiatives for our charity partner.
- A performance framework with quarterly feedback conversations and company wide recognition.
- Learning and development tools including investment in a learning platform, a mentoring scheme, a management development programme and weekly technology demos and brown bags providing an opportunity for individuals and teams to showcase their work and talent across the company.

S172 statement continued

Customers

Why customers are a key stakeholder

Our customers include our borrowers, brokers and investors.

Since our incorporation, customer experience has been at the centre of our approach. Originating high-quality assets and producing stable returns for our investors enables us to optimise products and investment solutions for our borrowers and brokers, in a virtuous circle.

We believe a diverse mix of investors is critical to providing a scalable, resilient and flexible asset management platform and to delivering a broad range of cost-effective products for our borrowers.

In prioritising our customers, we are able to achieve strong repeat rates, enabling us to generate efficiencies and, in turn, drive further value for our asset management platform.

How we engage with our customers

Our sales, investor relations and relationship management teams are regularly in touch with our customers, in person and via the phone and video.

We focus on service levels, publishing them to demonstrate to customers how we are maintaining operational standards.

We hold seminars and webinars (both in person and remotely) to continue to educate and inform our customers and engage with them on their key concerns.

We track customer engagement through NPS, regular surveys, Trustpilot and other public forums.

Community and the Environment

Why the community and the environment are key stakeholders

Operating responsibly and ethically is central to our business strategy. As we grow, it is important for the long term success of the Group that we continue to reduce the environmental impact of our business and to make a positive impact on the industry and the communities that we serve.

How we engage with the community and on environmental issues

In the past year we have partnered with:

- Climatecare to analyse our carbon quantification as a step in achieving our goal of carbon neutrality;
- Homes England to deliver 400 affordably priced homes;
- Kamma to provide capital markets investors in our Mortimer securitisation programme with unparalleled analysis of the environmental risks of the assets they were investing in;
- Motor Neurone Disease Association ("MNDA"), for whom our employees raised £21,180 through various fundraising initiatives.

Regulators

Why regulators are key stakeholders

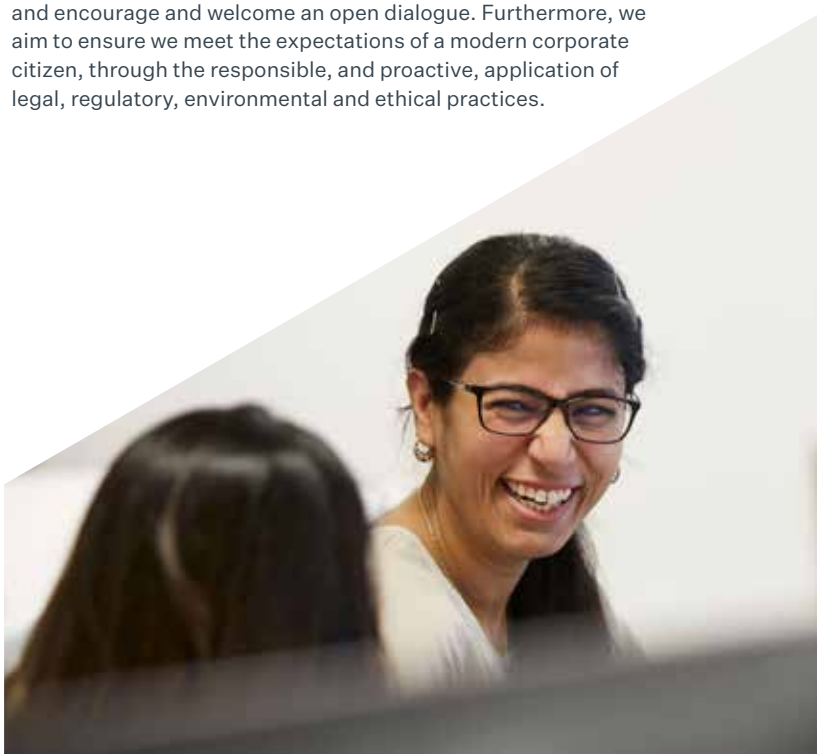
We operate within a robust governance and risk management framework which links to the regulatory environment in which we operate.

We have two FCA regulated entities within the Group and all of our loan originating entities are supervised by the FCA for money laundering purposes.

We believe a positive relationship with our regulators and an embracement of the regulatory environment in which we operate helps us to continually improve our culture, governance, conduct and accountability, to the benefit of the long term sustainable success of the business.

How we engage with our regulators

We proactively engage with regulators on key strategic decisions and encourage and welcome an open dialogue. Furthermore, we aim to ensure we meet the expectations of a modern corporate citizen, through the responsible, and proactive, application of legal, regulatory, environmental and ethical practices.



Here, we demonstrate through three key decisions how we considered the interests and needs of stakeholders this year.

Board decisions:

Successfully joined the AIM market of the London Stock Exchange in July 2021, raising £40 million to invest in the Group's property finance product roadmap and the continued development of its technology.

Stakeholder considerations and outcomes:

Customers	The funding raise at IPO was made primarily with our customers (borrowers, brokers and investors) in mind. The proceeds of the raise are intended to be used to accelerate our technology roadmap (with developments that improve our customers' experience), launch our Specialist Homeowner product, and expand within the buy-to-let and residential bridging sectors. These developments will allow us to expand into new product areas where risk-adjusted margins are attractive and provide an improved product range to customers on both the lending and investing sides of the business.
Employees	As a listed company, with higher requirements around governance, additional funding having been raised and setting out a clear strategy, our employees take comfort that the business is prioritising its long-term sustainable success, building a more resilient business for the future.
Regulators	By listing as a public company, we commit to higher standards of regulation and governance. This gives comfort to the regulator through our regular reporting and commitment to high standards of governance.

Board decisions:

Introduced a hybrid working policy

Stakeholder considerations and outcomes:

Employees	Introducing a hybrid working policy has enabled us to attract and retain employees whose ways of working have significantly changed over the last two years. The policy sets out the company's expectations as well as taking into account feedback received from individuals and teams across LendInvest.
Customers	The shift to hybrid working has not impacted the outcomes for our customers. We continue to provide excellent service and interactions with our customers in a way that works for them, in person, via the phone or through video technology.

Board decisions:

Launch of EPiC 'green mortgage' product range

Stakeholder considerations and outcomes:

Customers	Incentivises landlords to refurbish and increase the environmental efficiency of their properties. The product range has been highly successful leading to a 29% increase in buy-to-let applications.
Regulators	In line with the regulators' push (both the FCA and HM Government) towards a more sustainable future and focus on sustainability targets in the future.
Employees	Our employees value environmental initiatives and have expressed a desire to 'do more' to make a positive contribution to the environment and society, through their work at LendInvest. By launching sustainability linked products, employees take confidence that the business is prioritising its long term sustainable success.

Financial review

I am pleased to report that LendInvest has made significant operational and financial progress in 2022

Michael Evans
Chief Financial Officer

Our track record in innovation and new product development delivered strong customer uptake of our Buy-to-Let products which drove our growth during the year. In the year to 31 March 2022, Platform AuM increased by 36% to £2.1 billion; Gross Profit increased by 32% to £49.7 million; Adjusted EBITDA increased by 90% to £20.3 million and Profit before tax increased by 190% to £14.2 million.

Summary income statement

	Year to 31 March 2022 £'m	Year to 31 March 2021 (Restated[1]) £'m	Increase %
Revenue	87.8	72.4	21
Cost of sales	(38.1)	(34.8)	9
Gross profit	**49.7**	**37.6**	**32**
Gross profit margin	57%	52%	
Administrative expenses	(31.9)	(25.9)	23
Impairment provisions	(4.4)	(4.6)	(4)
Profit from operations	**13.4**	**7.1**	**89**
Finance income	1.2	–	–
Finance expense	(0.4)	(2.2)	(45)
Profit before tax	**14.2**	**4.9**	**190**
Income tax charge	(3.3)	(1.1)	200
Profit after taxation	**10.9**	**3.8**	**187**
Earnings per share for profit attributable to the ordinary equity holders of the Group:			
Basic earnings per share (pence/share)	8.33	3.45	141
Diluted earnings per share (pence/share)	8.04	3.34	141
Adjusted EBITDA	20.3	10.7	90
Platform AuM[1]	2,146	1,573	36

[1] The reported figures for the year ended 31 March 2021 have been restated. Details of the restatement are disclosed in note 1.6 of the financial statements.

Financial review continued

Overview

Revenue increased by 21% to £87.8 million (2021: £72.4 million) primarily driven by strong growth in our Buy-to-Let Platform AuM which grew by 67% to £1.5 billion (2021: £0.9 billion) taking total Platform AuM £2.1 billion (2021: £1.6 billion).

Gross profit increased by 32% to £49.7 million (2021: £37.6 million) partly driven by enhanced funding terms which reduced our cost of sales. This included our third securitisation last June which substantially reduced our Buy-to-Let funding costs, and renegotiated terms with our financial partners, Citi and National Australia Bank. These improvements in gross profit were partially offset by a 5% reduction in our short-term lending Platform AuM to £0.6 billion (2021: £0.7 billion) as a result of a buoyant property market, in which borrowers completed their projects and sold the underlying asset quickly. The net impact of these movements was an improvement in our gross profit margin to 57% (2021: 52%).

Adjusted EBITDA increased 90% to £20.3 million (2021: £10.7 million) partly due to the benefits of the operating leverage in our business model. Our non-exceptional operational expenditure increased by 22% to £25.0 million (2021: £20.5 million). Our impairment charge reduced by 4% to £4.4 million (2021: £4.6 million) as a result of an improved macro-economic environment as the COVID-19 vaccine was rolled out and lockdown conditions were lifted.

Profit before tax increased 190% to £14.2 million (2021: £4.9 million). In addition to the factors outlined above, a £1.2 million gain in finance income was recognised (2021: £2.2 million loss), largely derived through the cancellation of swaps following a Buy-to-Let portfolio sale to J.P. Morgan in September 2021 and our third securitisation in June 2021. Profit after tax increased by 187% to £10.9 million (2021: £3.8 million). The effective tax rate in the year was 23% which is higher than the corporate tax rate of 19% due to a prior year adjustment of £0.6 million largely relating to a reversal of tax losses recognised in the year to 31 March 2020 in the Mortimer 2020-1 securitisation vehicle.

Basic earnings per share improved by 141% to 8.33p per share (2021: 3.45p per share) and diluted earnings per share improved by 141% to 8.04p per share (2021: 3.34p per share).

Lending Product Highlights

	Year to 31 March 2022			Year to 31 March 2021 (Restated)		
	Short Term Lending £'m	BTL £'m	Total £'m	Short Term Lending £'m	BTL £'m	Total £'m
Statement of Profit and Loss:						
Interest revenue, fees and other income	42.2	45.6	**87.8**	43.3	29.1	**72.4**
Cost of Sales	(19.5)	(18.6)	**(38.1)**	(20.7)	(14.1)	**(34.8)**
Gross profit	**22.7**	**27.0**	**49.7**	**22.6**	**15.0**	**37.6**
Gross profit margin	54%	59%	**57%**	52%	52%	**52%**

	As at 31 March 2022			As at 31 March 2021 (Restated)		
	Short Term Lending £'m	BTL £'m	Total £'m	Short Term Lending £'m	BTL £'m	Total £'m
Platform AuM* (unaudited)	646.0	1,500.1	**2,146.1**	677.6	895.7	**1,573.3**
Statement of Financial Position – Loans and Advances	186.5	1,022.6	**1,209.1**	282.2	774.4	**1,056.6**

* Refer to the Glossary for an explanation of this term and reconciliation to Loans and Advances.

Buy-to-Let Lending

Platform AuM from Buy-to-Let products increased by 67% to £1.5 billion. Demand for our Buy-to-Let products was strong throughout the year and increased in October 2021 following the launch of our new 7-year fixed product and an 'EPiC' range of green products which incentivised borrowers with cheaper lending rates where security for the loan was against a property with an EPC rating of C or above.

Revenue from Buy-to-Let grew by 57% to £45.6 million (2021: £29.1 million). The increase was driven by higher Platform AuM and fee income earned through loans sold to the J.P. Morgan separate account, which was launched during the previous year.

Gross profit from Buy-to-Let increased by 80% to £27.0 million (2021: £15.0 million) as we benefited from higher Platform AuM combined with lower cost of funding as a result of our third RMBS securitisation of £280 million Buy-to-Let loans and renegotiated terms with Citi and National Australia Bank.

These changes resulted in a 7 percentage points increase in the gross profit margin to 59% (2021: 52%).

Short-Term Lending

Short-term Platform AuM reduced by 5% reflecting elevated repayments throughout the year due to the strength of the underlying property market and our borrowers' ability to exit their projects. The Group decided during the previous year to reduce higher risk development lending as a precautionary measure during the COVID-19 lockdown period.

This reduction in Short-Term Lending Platform AuM is reflected in the reduction in revenue of 3% to £42.2 million (2021: £43.3 million). Cost of sales decreased by 6% due to improved funding costs from the new relationship with Barclays and HSBC. The effect of these was to increase the gross profit margin to 54% from 52% in the previous year.

Cash and Cash Flow

Our business is highly cash-generative, and these cash flows can support a progressive dividend over time. We actively manage our capital to seek to maximise value to shareholders and support our strategy by either investing that capital to improve shareholder returns in the future or returning it to shareholders.

As at 31 March 2022, the Group held cash and cash equivalents of £118.2 million, an 90% increase since the prior year. Of this total, £79.1 million was restricted for loan funding purposes.

The remaining cash balance of £39.0 million increased by £21.3 million, having grown by 120% in the year largely due to the £40 million of capital raised through the Group's IPO in July 2021, offset by cash used to co-invest in Buy-to-Let loans held on our balance sheet.

	Year to 31 March 2022 £'m	Year to 31 March 2021 £'m
Net cash outflow from operations	(145.1)	(215.9)
Net cash outflow from investing activities	(3.4)	(2.4)
Net cash inflow from financing activities	204.5	188.9
Net increase/(decrease) in cash and cash equivalents	**56.0**	**(29.4)**
Cash and cash equivalents at beginning of the period	62.2	91.6
Cash and cash equivalents at end of the period	**118.2**	**62.2**

Principal risks & uncertainties

Risk Overview

Introduction and Culture

The Board is accountable for maintaining a policy of continuous identification and review of the principal risks facing the Group which could threaten its future performance or business model. On behalf of the Board, the Audit and Risk Committee reviews the effectiveness of LendInvest's risk management processes.

The Group uses a robust risk management framework, which provides control as we scale our business. The Audit and Risk Committee receives regular reports from senior management about the main sources of risk and any specific concerns around risk.

Senior management are supported in their risk management roles through the operation of a Risk Committee, a Credit Committee, an Assets and Liabilities Committee, and an ESG Committee each reporting to the Executive Committee.

Risk registers are maintained and reviewed annually, which outline all the key risks the Group is exposed to. This aims to identify and promote effective management of any relevant risks through management taking any mitigating actions at the right time.

The Group's risk management processes, policies and procedures are embedded in our culture and working practices and are operated through the 'three lines' model.

Risk Appetite

Our risk appetite is set and approved annually by the Board. It provides an articulation of the level of risk we are prepared to accept in order to achieve our strategic objectives. It is expressed and embedded through limits for each of the Group's key risk types. These limits are designed to provide indications of changes in the operating environment as well as triggering action by management.

Risk Policies and Behaviours

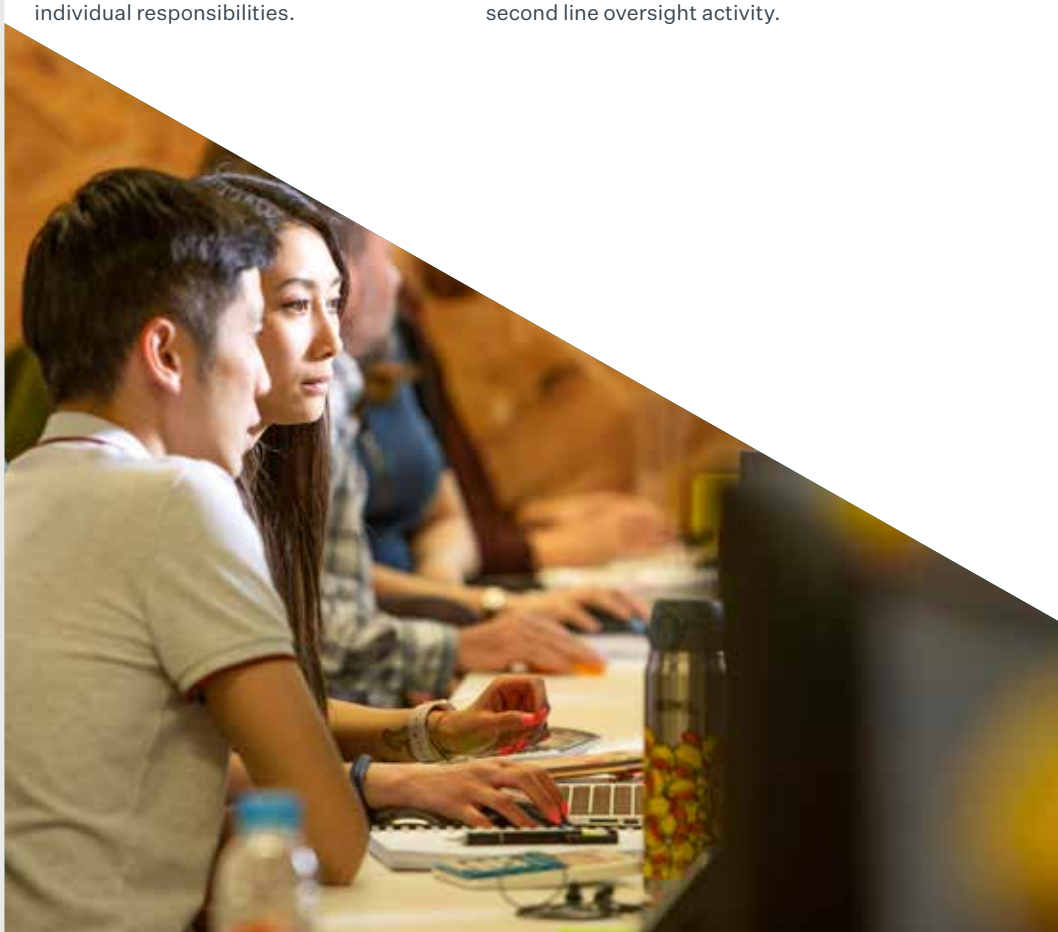
We have identified a set of principal risk types to which we are exposed through our activities. Each risk type is actively managed through a policy standard that clearly articulates the approach and boundaries by which the risks are managed and ensures everyone understands their individual responsibilities.

Evidence of Control

Our Risk Framework sets out expectations on colleagues for the identification, measurement and control of our key risks. During the year the Group commenced a structured programme of Risk and Control Assessments to cover all material processes and technology. This provides a basis for surfacing evidence of control adequacy and effectiveness for our most material risks.

Risk Reporting

Risk reporting processes exist to ensure top and emerging risks are surfaced throughout the organisation and appropriate action is taken on a timely basis. This is in addition to reporting on risk appetite, risk events and incidents as well as the outcome of Risk and Control Self Assessments and second line oversight activity.



Risk Management Structure

Business Operations:

- Day-to-day risk management;
- Defined processes and controls;
- Operational policies;
- Risk and Control Self Assessments; and
- Risk mitigation.

Risk and Compliance:

- Development of enterprise risk management framework;
- Advice and assurance to senior management through monitoring; and
- Support the first line to ensure risks are proactively identified and managed.

Independent Assurance:

- Reviews first and second lines; and
- Provides assurance.

On the following pages are details of our key uncertainties and principal risks and the key mitigating activities in place to address them. It is recognised that the Group is exposed to risks wider than those listed. We disclose those that we expect are likely to have the greatest impact on our business at this moment in time and which have been subject to debate at recent Board or Audit and Risk Committee meetings.

Key uncertainties

We regularly monitor emerging and evolving changes in the risk environment in order to promote early discussion to understand and address any threats or opportunities to our business model. We consider specific emerging threats and opportunities under the following broad themes.

Strategic

Reflects both our business model and the markets in which we operate. For example, regular consideration is given to changes in the competitive market resulting from new entrants or new product offerings and any resulting impact on deal flow and margins.

Political and Economic

Reflects the impact of macroeconomic conditions and government policy on our markets. For example, we continue to reflect the expected impact on UK market conditions arising from the impact of changes in interest rates, inflation, the employment market or house prices on the demand and pricing for our products.

Operational

Reflects changes in technology, the impact of internal processes or emerging external best practices. For example, we continually review the adequacy of our technology in supporting application and dealflow to make this as efficient and user friendly as possible.

Regulatory and Conduct

Reflects continued developments within the Group's sector including FCA consultations and changes to relevant EU regulations. For example, the proposed Consumer Duty rules from the FCA.

Principal risks & uncertainties continued

Principal Risks

Strategic Risk

What is it?

The risk that achievable volumes or margins decline relative to the cost base, affecting the sustainability of the business and the ability to deliver the strategy.

How may it arise?

Changes in the macro-economic, geopolitical, industry, regulatory or competitor environment.

How do we manage the risk

- We monitor a suite of KPIs aligned to our corporate goals, taking timely action.
- We monitor our position versus competitors to ensure our product offerings remain competitive and appropriately priced.

Movement in risk profile

As we reach the end of the year the risk profile has increased due to unpredictability of national and world wide economic factors; there remains significant downside risks to the UK economy, and volatility in interest rates. Despite this upwards pressure the business continues to deliver against its strategy.

Changes in 2021/22

- Launch of EPiC 'green mortgage' product range.

Liquidity, Funding and Market Risks

What is it?

The risk we are unable to meet our obligations as they fall due or are adversely hit by market rate or price movements.

How may it arise?

Unexpected liquidity outflow or mismatch and/or difficulties in accessing funding. Sudden changes in volatility in market values.

How do we manage the risk

- We monitor a suite of KRI's aligned to the drivers of Liquidity, Funding and Market Risks with triggers in place for escalation.
- Requirements are built into our planning process.

Movement in risk profile

A rising interest rate environment and significant volatility in swap rates creates risks that require careful management. Similarly, market volatility can impact the cost and normal operation of funding mechanisms. The business has responded to these pressures through increases in headline pricing, enhancements to the management of pipeline risk and review of liquidity contingency arrangements.

Changes in 2021/22

Completion of third securitisation
Review of drivers of liquidity and market risk and associated limit structure.

Credit and Concentration Risk

What is it?

The risk that a loan customer or wholesale counterparty fails to maintain their contractual obligations and repay their borrowing on time.

How may it arise?

Changes in the economic conditions in the UK may impact on the ability of customers to repay their loans leading to an increase in bad debt and/or reduced fee levels.

How do we manage the risk

- We make conscious lending decisions aligned to policy, considering both the suitability of the product and the ability to repay and service any debt.
- Credit decisioning based on data from a number of different sources, internal expertise and the existence of development track record.

Movement in risk profile

The risk profile has remained stable over the last 12 months as Covid 19 restrictions have been relaxed with book performance remaining strong. We remain conscious of new risks that may emerge driven by inflation.

Changes in 2021/22

Continued focus on COVID-19 and management of credit strategies.

Risk Increase Risk Decrease Risk Stable

Conduct and Compliance Risk

What is it?

The risk that our culture, behaviour or actions may lead to a failure to comply with regulations, or cause detriment to customers or the markets. This also includes where our products are used to facilitate financial crime.

How may it arise?

Failure to understand the needs of our customers or to provide them with the level of service required at all stages of the customer journey.

How do we manage the risk

- A programme of oversight and compliance monitoring.
- Horizon scanning of emerging threats or regulatory changes.
- Prevention and detection processes, systems and controls in place.
- Money Laundering Reporting Officer provides regular reports on financial crime controls to Executive and Board committees.

Movement in risk profile

The risk profile has remained stable as necessary processes have been in place to manage the risks inherent in our activities. We have commenced work in relation to the FCA's new Consumer Duty requirements.

Changes in 2021/22

Oversight and deep dive reviews including fraud.

Development of KRI suite.

Capital Adequacy Risk

What is it?

Holding insufficient capital to absorb losses in normal and stressed conditions or the ineffective use of capital.

How may it arise?

Changes in economic conditions or regulatory requirements may impact on the level of capital resources required.

How do we manage the risk

- Target requirements for level of capital to be held.
- Monitoring of capital position, with triggers in place for escalation.

Movement in risk profile

The risk profile has remained stable over the last 12 months with the overall business being well capitalised versus the overall risk profile and operational requirements.

Changes in 2021/22

- Consideration of requirements for planned future product changes.

Operational Risk

What is it?

Losses or disruption resulting from inadequate or failed processes, people and systems or from external events.

How may it arise?

Losses or disruption resulting from inadequate or failed processes, people and systems or from external events.

How do we manage the risk

- A structured programme of Risk and Control Self Assessments.
- Capture and root cause analysis of risk incidents.
- Regular review of top risks and status reporting of any material open actions.

Movement in risk profile

During the year the risk profile has remained stable. The company is aware of the risks inherent in change and also the continued developing threat landscape around cyber. Controls have been reviewed in light of these factors and continue to be enhanced.

Changes in 2021/22

- Supported business with Risk and Control self-assessments.
- IT incident capture.
- Launch of new risk system.
- Programme of Risk and Control self-assessments.
- Consideration of risks associated with Ukraine conflict.
- IT incident capture development.
- Launch of new risk system.

The Strategic Report is approved by the Board and signed on its behalf by:

Christian Faes

Executive Chair

5 July 2022

Board of Directors

Christian Faes
Co-Founder & Executive Chairman

Prior to becoming Executive Chairman in 2020, Christian served as CEO and co-founded the business with Ian Thomas in 2008. Christian comes from a legal background having practised as a real estate lawyer in Australia at Allens Arthur Robinson, and then in the UK with Clifford Chance and Deutsche Bank.

Christian is a keen advocate for the FinTech sector, and sits on the Government's FinTech Delivery Panel; he also founded and chairs the Digital Finance Forum. Christian is a member of the Nomination Committee.

Rod Lockhart
Chief Executive Officer

Prior to joining the Board in 2020 as CEO, Rod had led the business' Capital Markets and Fund Management division since 2015. With a strong background in property finance, capital markets and technology he has overseen LendInvest's rapid growth in FuM from a diverse range of investors.

Rod is a Chartered Surveyor with 19 years' experience in property and property finance. He was previously Senior Director and a board member of the Investment Advisory Committee for CBRE. There, as well as advising LendInvest on its Real Estate Opportunity Fund, he advised UK and global institutional clients and managed a range of property and property debt portfolios.

Ian Thomas
Co-Founder and Chief Investment Officer

Ian together with Christian Faes co-founded the business in 2008 and oversees all investment strategy and decision-making at LendInvest. He is a qualified Chartered Surveyor, with extensive experience of property valuation, mixed-use development and investment acquisitions in both the UK and abroad, previously holding senior positions at Ballymore and SEGRO.

He is a regular speaker at property industry events, a member of the MIPIM PropTech Advisory Committee and an active investor in several PropTech startups.

Michael Evans
Chief Financial Officer

Prior to joining the board in 2021 as Chief Financial Officer, Michael was instrumental in the transformation of the financial and operational processes that allowed LendInvest to scale effectively. He joined the company in 2017.

Michael is a Chartered Accountant having qualified while working at Ernst & Young. He has over 17 years of post qualified experience across a range of financial and operational roles. Michael has previously held senior positions in Barclays and National Australia Bank, successfully heading up projects spearheading organisational change and strategy.

Committees

- Nomination Committee
- Remuneration Committee
- Audit and Risk Committee
- Chair

Stephan Wilcke
Senior Independent Director

Stephan Wilcke currently serves on the boards of Hamburg Commercial Bank, Tangelo Latam and Equiom. He is a former Executive Chair of OneSavings Bank and has also served on the boards of Amigo, Azimut, Bima, Independer, Farmafactoring, the Jersey Financial Services Commission, the Hellenic Financial Stability Fund, Nova Lubjanska Bank, TBC Bank Pic and Travelex. In his executive career he served as CEO of HM Treasury's Asset Protection Agency, was a partner at Apax Partners responsible for Financial Services in Europe and started his career at Oliver Wyman where he progressed to partner level. Stephan is an active early stage investor and has been an advisor to the business since 2016.

Stephan chairs the Remuneration and Nomination Committees, and is a member of the Audit and Risk Committee.

Penny Judd
Non-Executive Director

Penny Judd is an experienced Chair, Senior Independent Director and Audit Committee Chair with over 30 years of City and financial services experience. She is currently a Senior Independent Director at TruFin and at Alpha FMC. She is also a Non-Executive Director at Team17. Her previous roles include Non-Executive Chair of Plus500, EMEA Head of Compliance at Nomura, EMEA Head of Compliance at UBS and Head of Equity Markets at the London Stock Exchange. Penny is a qualified Chartered Accountant.

Penny chairs the Audit and Risk Committee, and is a member of the Remuneration and Nomination Committees.

Dale Murray CBE
Non-Executive Director

Dale brings a wealth of extensive leadership and global experience having been an investor and advisor in "early stage" businesses.

She co-founded and was CEO of Omega Logic and was a Non-Executive Director at the UK Government's Department for Business, Innovation and Skills.

She currently has non-executive directorships at the following public companies: Lightspeed Commerce Inc., Jupiter Fund Management plc and Xero Limited as well as the following private companies: The Cranemere Group Limited and Rated People Limited.

Dale is a member of the Audit and Risk, Remuneration and Nomination Committees.

Nina Spencer
Non-Executive Director

Nina is a highly experienced FinTech and asset management executive having spent approximately 15 years, from 2006 to 2021, at AIM-quoted Alpha Financial Markets Consulting plc, a leading global provider of specialist consultancy services to the asset management, wealth management and insurance industries; this included the roles of Global Chief Operating Officer, between 2016 and 2020, and, from 2019, Chief Executive of Alpha Data Solutions.

Nina now provides independent advice to Boards and is also a Non-Executive Director at GreenStone+.

Nina is a member of the Audit and Risk, Remuneration and Nomination Committees.

Executive Team

Christian Faes
Co-Founder & Executive Chairman

Prior to becoming Executive Chairman in 2020, Christian served as CEO and co-founded the business with Ian Thomas in 2008. Christian comes from a legal background having practised as a real estate lawyer in Australia at Allens Arthur Robinson, and then in the UK with Clifford Chance and Deutsche Bank.

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Committees

- Nomination Committee
- Remuneration Committee
- Audit and Risk Committee
- Chair

Ruth Pearson
General Counsel & Company Secretary

Ruth is a Chartered Secretary and fellow of the Corporate Governance Institute of UK and Ireland. Ruth qualified as a lawyer at Simmons & Simmons in 2009 and became a senior lawyer in the firm's banking team, focussing on real estate and acquisition finance transactions. She also spent time on secondment to the real estate restructuring team at RBS and the syndicated loans team at SEB.

Ruth joined LendInvest in 2016 and built LendInvest's in-house legal function, working closely with all teams to provide strategic advice and help the business realise commercial opportunities. As Company Secretary, she supports the board of directors to ensure that high standards of corporate governance and compliance are maintained.

Hugo Davies
Head of Capital Markets

Hugo began his career at Goldman Sachs, working within Treasury. During his time at Goldman Sachs, Hugo was responsible for the funding and liquidity management of mortgage portfolio sales, accelerated book-builds, debt offerings and SPV capitalisations. Hugo also managed liquidity risk for G10 and emerging market currencies, developing strong relationships in FX and money markets.

Hugo joined LendInvest in 2016 within the Capital Markets division. Hugo leads debt capital raising for the business and manages our large debt investor relationships. Hugo was responsible for the design and delivery of our listed bond programme, and oversaw the capital raising for both our launches into Buy-to-Let and regulated lending.

Melanie Oakley
Chief People Officer

Experienced in working with technology and creative organisations, Melanie's early career was spent in fast-paced, disruptive and entrepreneurial businesses including Virgin Radio and Betfair.

In 2010, Melanie started her own consultancy and worked with a number of FinTech organisations to support their business transformation and scaling.

Arman Tahmassebi
Chief Operating Officer

Arman began his career at IG Group where he started as a graduate trainee before progressing over the following 15 years to hold several senior management roles overseeing the Technology, Business Development and Operations departments. During his time at IG Group the business grew from a small UK only entity to over 1,400 staff located in 17 countries around the globe with operations underpinned by industry leading proprietary technology. Latterly Arman was CEO of ETX Capital, an award winning provider of retail trading technology and services.

Executive Team continued

Matthew Tooth
Chief Commercial Officer

Matthew qualified as a Chartered Accountant with KPMG, and then worked at an investment bank before spending 15 years with IG Group, in which time he held senior management positions covering risk management, finance, sales and business development. During his time at IG Group, the company evolved from a small privately owned UK business to a FTSE 250 financial technology leader with 1,400 staff.

Matthew joined LendInvest in 2015 and is responsible for the sales and marketing channels for the lending side of our business.

Esther Morley
Managing Director, Specialist Residential

Esther has over 22 years' experience in Financial Services across the UK and Ireland Banking, Building Society and Specialist Lending sectors.

Esther started her career at HSBC and HFC (Household International) leading analytics teams across the UK covering Credit Risk, Marketing and Product and Pricing Development before moving to Kensington Mortgages in March 2006. In 2016 Esther joined Secure Trust Bank as MD of Mortgages, building the business from the initial business case through to a growing portfolio.

After leaving Secure Trust Bank, Esther established her own consultancy, and took on her first NED role as Chair of Risk at the Beverley Building Society.

Esther joined LendInvest in 2021 and is responsible for helping the business to build and establish a Specialist Residential Mortgage business unit.

Daniel Underwood
Head of Credit Risk and Recoveries

Daniel has over 23 years' experience in Financial Services across UK Banking, FinTech, and Specialist Lending.

Daniel spent 18 years with National Australia Group Europe, starting his career in mortgages and retail banking, prior to a senior role in restructuring and recoveries, focusing on residential and commercial property enforcement, insolvency, litigation, and loss mitigation. Prior to joining LendInvest Daniel also spent 2 years with Funding Circle UK, holding a senior role in Property Development underwriting.

Daniel joined LendInvest in 2017 and is responsible for LendInvest's credit policy, large loan and development finance underwriting, portfolio risk, quality assurance, and complex recoveries.

Executive Chair's introduction to corporate governance

Dear Shareholder

I am pleased to present our first Corporate Governance Report as a public company for the year ended 31 March 2022. The report sets out our governance framework, the Board's key actions during the year, our approach to complying with the QCA Code and our engagement with stakeholders.

My role, as Chair, is to ensure that good corporate governance is upheld by LendInvest and across the Group. At LendInvest, our approach to corporate governance is to ensure we have the appropriate structures, controls and decision-making procedures in place to ensure we conduct our business with accountability, responsibility, trust and fairness. This assists us in achieving the long-term sustainable success of the business and achievement of our ambitious objectives. Our governance framework has evolved in line with our admission to the AIM market, and this report sets out our approach to governance, with detail on the operation of the Board and its Committees, along with an explanation of our compliance with the QCA Code.

Corporate governance highlights from the year included

- Embedding the governance structure following Admission to AIM.
- Strengthening our Board through the appointment of Nina Spencer and ensuring a good balance of Executive Directors and Independent Non-Executive Directors.
- Return to office after COVID and introducing hybrid working, taking into account the views of our employees and our customers.

The Board is committed to the highest standards of corporate governance appropriate for a company of its size and status. The Board has decided that we will comply with the principles set out in the QCA Code and this report sets out our approach to governance, with detail on the operation of the Board and its Committees. The QCA Code sets out a standard of minimum best practice for small and mid-sized companies, particularly AIM companies.

The current Board comprises eight directors, of which half are considered independent Non-Executive Directors, in line with good governance practice. The composition of the Board provides an appropriate balance between Executive Directors and Non-Executive Directors and brings a desirable range of skills and experience, including in financial services, technology, regulatory, scale-up, commercial and academic experience, which are particularly important in light of our challenges and opportunities following Admission.

We will commit to undertaking regular board reviews to ensure the Board is performing effectively. It is our intention to undertake our first review in the next financial year, once the Board has been in operation for a 12 month period. In adherence with the recommendations of the QCA Code, we have established the Audit and Risk Committee, the Remuneration Committee and the Nomination Committee, each with formally delegated duties and responsibilities and with written terms of reference, which are available on our website.

Since listing in July last year, we have been able to hold most of our board and board committee meetings in person, with remote attendance also available. Our ability to operate on a hybrid model has supported good governance and decision making in this regard. It has also enabled us to take the views of our employees into account and respond quickly to support their wellbeing needs over what has been a difficult period.

We recognise that our employees are vital to our continued growth and success, and as such ensure we regularly monitor our corporate culture to ensure our values are being adhered to. We are proud of the work undertaken by our Social and Corporate Responsibility team and our group of Diversity and Inclusion champions who take the lead in organising company-wide events and initiatives that enrich our company culture.

It has been a transformative year for the Board as a result of the IPO, and I am confident that we have the right governance framework in place to successfully deliver on our strategy as we enter the next stage of our journey.

Christian Faes
Co-founder and Executive Chair

Compliance with QCA code

Corporate governance report

Statement of compliance

The Board is committed to maintaining high standards of corporate governance. We recognise the value and importance of a governance framework that is appropriate for our size, scale and complexity, and is in the interests of all our stakeholders.

LendInvest plc has adopted the QCA Code 2018. We are compliant with the principles of the Code, with the exception of Principle 7, where we did not undertake an evaluation of the Board's performance. As the Governance framework was only designed and implemented during the year, the Board decided to schedule a formal evaluation once a full year has passed and a more effective assessment of performance can be made. An evaluation will be undertaken in FY23 and will be reported on in next year's Annual Report and Accounts. Disclosures required by the QCA Code 2018 have been made both in this Annual Report and Accounts and on our website, lendinvest.com.

Here we explain in broad terms how we apply its ten principles.

Deliver growth

Principle 1

Establish a strategy and business model which promote long-term value for shareholders

Our strategy and business model emphasise collaborative working across our operating divisions, as we use technology to disrupt one of the few remaining verticals in the UK financial services sector:

- Growing our FuM by taking advantage of prominent, developing trends that include a shift towards private debt, a growing preference for real assets, and alternatives with an ESG focus.
- Optimising our FuM by continuously seeking the most appropriate Investors and Financial Partners, leveraging our technology.
- Expanding our Platform AuM by delivering a superior service, leveraging our technology, growing our intermediary relationships, and introducing new products at scale.
- Investing in our technology infrastructure, continuing to innovate and further improving the customer experience.

Principle 2

Seek to understand and meet shareholder needs and expectations

We regularly meet with our Shareholders and potential shareholders at various events. At our full and half-year results presentations, and at our AGM, investors can directly ask questions and discuss their priorities. We regularly attend sell-side organised investor conferences, investor roadshows, and equity salesforce presentations.

Principle 3

Take into account wider stakeholder and social responsibilities and their implications for long-term success

Operating responsibly and ethically is central to our business strategy and ensuring the value we create is both sustainable and with the long term in mind. As we grow, it is important for the long-term success of the Group that we continue to reduce the environmental impact of our business and to make a positive impact on the industry and the communities that we serve.

Principle 4

Embed effective risk management, considering both opportunities and threats, throughout the organisation

We implement our strategy within the Group's risk framework and review our risks regularly to confirm that the business model is consistent with our appetite for risk.

Our risk management processes, policies and procedures are embedded in our culture and working practices. They're operated through our evolving 'three lines' model: from operational departments, reporting to our risk and compliance function, and finally overseen by our Audit and Risk Committee. Whilst a separate internal audit function does not yet exist, independent 3rd party reviews focused on asset compliance occur throughout the year.

Read more from page 30.

Maintain a dynamic management framework

Principle 5

Maintain the Board as a well-functioning, balanced team led by the chair

We have a balanced and complementary team on the Board, made up of four executive and four independent non-executive directors, and appointed a senior independent director to act as a sounding board and intermediary for the chair and other board members. Our Directors bring a desirable range of skills and experience reflecting the challenges and opportunities faced by the business in the near and longer term.

Principle 6

Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities

Our Directors provide a complementary set of capabilities, skills and experience. New directors have a rigorous induction programme. All Directors receive regular training about market trends and business opportunities, and regulatory, governance and legal matters.

Each Director is responsible for maintaining their skills and managing any other external roles and training.

Read more from page 34.

Principle 7

Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

We did not undertake an evaluation of the Board's performance between listing in July 2021 and the financial year end in March 2022. As set out on page 40, the Board will schedule a formal evaluation once a full year has passed and a better assessment of performance can be made. An evaluation will be undertaken in FY23 and will be reported on in next year's Annual Report and Accounts.

Compliance with QCA code continued

Principle 8

Promote a corporate culture that is based on ethical values and behaviours

Our Board oversees our culture and values. The directors believe an important component of our success is our corporate culture. The senior management team is responsible for actively promoting them and good conduct.

At the heart of our culture are our values, being:

- **Simple is best.** We make property finance simple; making it easier for our customers and ourselves and increasing the speed of decision making to get to a 'yes'.
- **We get it done.** We work smart to deliver quickly and then make things even better.
- **New finance.** We are entrepreneurial and innovative; creating a better customer experience and disrupting the established way of providing property finance.
- **We are playing to win.** We are ambitious; we have fun; we work as one team to create the best platform for property finance.

Principle 9

Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

The Directors consider that we maintain a governance structure that's appropriate to our size, scale and complexity – as well as our capacity, appetite and tolerance for risk. Our governance structures and processes were designed with advice from our NOMAD and external legal advisors as part of the listing process and have been implemented since listing.

Read more from page 43.

Build trust

Principle 10

Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

Our website is regularly updated with information about our activities and performance, including financial reports, information about our AGM, our financial calendar and dividend details, policies, governance structure, and terms of reference and constitutional documents – available to all stakeholders.

We also disclose how we comply with the QCA Code, and review this information annually in accordance with Rule 26 of the AIM Rules for Company Disclosures.

We communicate directly with our shareholders, clients, people, regulators and suppliers, too, as we've outlined in Principles 2 and 3.

Read more from page 23.

Governance structure and Board activities

Following our admission to the AIM market, we implemented a governance framework to align with good governance principles set out in the QCA Code.

Here we provide an overview of how our governance is structured and of our key governance roles.

Board – The Board is responsible for the management, direction and success of the business.

Role	Responsibilities
Exec Chair	The chair is responsible for the leadership of the Board and promoting a culture of openness and constructive challenge and debate. The chair is also responsible for ensuring effective communication with the Group's stakeholders.
CEO	The CEO is responsible for the executive management of the Group, and for proposing and executing its strategy.
CIO	The CIO is responsible for overseeing all investment strategy and decision-making at the Group.
CFO	The CFO is responsible for overseeing the Group's financial performance.
SID	The SID's role is to act as a sounding board for the chair, oversee the evaluation of the chair's performance and to serve as an intermediary for the other Directors, if necessary. The SID will also engage with shareholders to ensure a balanced understanding of their views and issues.
Non-Executive Directors	The Non-Executive Directors are expected to provide oversight and constructive challenge to management.

In adherence with the recommendations of the QCA Code, we have established the Audit and Risk Committee, the Remuneration Committee and the Nomination Committee, each with formally delegated duties and responsibilities and with written terms of reference.

Committee	Responsibilities
Audit and Risk Committee	The Audit and Risk Committee's role is to assist the Board with the discharge of its responsibilities in relation to financial reporting, including reviewing the Group's financial statements and accounting policies, external audits and controls, advising on the appointment of external auditors, overseeing our relationship with our external auditors and reviewing the effectiveness of the external audit process.
Remuneration Committee	The Remuneration Committee will review the performance of the Executive Directors and make recommendations to the Board on matters relating to their remuneration, terms of their employment and grants to them of awards under the Share Plans.
Nomination Committee	The Nomination Committee assists the Board in reviewing the structure, size and composition of the Board. It is also responsible for reviewing succession plans for our Directors, including the Chair, the CEO, and other senior executives.

Compliance with QCA code continued

Our Company Secretary supports the Board of Directors to ensure that high standards of corporate governance and compliance are maintained. The Company Secretary is responsible for ensuring Board and Board committee meetings are properly conducted, that Directors receive the right information before these meetings to help them contribute effectively, and that governance requirements are considered and implemented, reporting to the Chair.

Matters reserved for the Board

The Board is ultimately responsible for the Group's strategy, performance and management. The Board discusses and reviews all matters and issues relevant to the performance of the Group. An annual agenda of matters to be reviewed is agreed by the Board under the guidance of the Exec Chair.

Certain matters are reserved for the Board, these include:

- Setting the Group strategy and long-term objectives.
- Approving budgets and forecasts.
- Changes to the Group's capital structure and dividend policy.
- Extension of Group activities by geographical regions or into new business.
- Approval of significant contracts, capital or operating expenditure.
- Assessing the effectiveness of risk management and internal controls.
- Effective communication with shareholders.
- Approving announcements for interim and annual reporting and other major announcements.

The full list of matters reserved can be found on the website.

Board composition

As at 31 March 2022, the Board comprised four executive directors and four independent non-executive directors who are responsible for the Group's success.

Our Non-Executive Directors provide independent, objective judgement of Board decisions and scrutinise and challenge management. The Board delegates managing day-to-day operations of the Group to the Executive Directors.

Board independence

The Board periodically reviews its composition and succession planning framework to ensure that appointments create an appropriate mix of skills and experience, and a level of diversity and independence that supports the Group's objectives for business growth. The key factors considered by the Board when determining a Director's independence are their other commitments, their tenure and the personal qualities they demonstrate in the boardroom.

Board appointments

Each director appointed by the Board must stand for election by the shareholders at each AGM, save for the first two AGMs of the company. Each non-executive director is appointed for three years and is expected to serve two terms. The Board may invite them to serve for longer, mindful that after nine years a director would no longer be considered independent.

Time commitment

Our Directors are expected to commit enough time to fulfil their duties and responsibilities as a director. The Board is satisfied that each of our Directors can dedicate enough time and fulfil their commitment to discharge their responsibilities effectively.

The Directors are expected to attend all meetings of the Board and the committees on which they serve. The table below details how many Board meetings each Director attended last financial year, since listing:

	Meetings
Executive Chair	
Christian Faes	3/3
Executive Directors	
Rod Lockhart	3/3
Ian Thomas	3/3
Michael Evans	3/3
Non-Executive Directors	
Stephan Wilcke	3/3
Penny Judd	3/3
Dale Murray	3/3
Nina Spencer – appointed 25 January 2022	1/1

Conflicts of interest

We have policies and procedures in place to monitor and manage any conflicts of interest our Directors might have. Directors must declare their outside business interests and potential conflicts of interest each year – and again when something changes. The Board must consent if a Director wants to undertake certain outside business interests.

The Company Secretary maintains a register of the Directors' outside business interests and potential conflicts of interests. The Board has authorised the current interests disclosed in the register and has oversight of conflicts and how they are managed. The Company Secretary and the Board keep the register under review, so they could take appropriate action if they needed to.

Board performance review

The Board's first performance review will take place in FY 2023, following its first full year cycle in situ.

Managing risk

The Board is responsible for managing the Group's risks and for setting the tone of its culture and conduct. During the year, the Directors continued to review how effective our systems of control and risk management are. The Board has delegated authority to the Audit and Risk Committee to oversee the identification, measurement, monitoring and management of all the risks within the Group. The Group uses a robust risk management framework, which provides control as we scale our business. The Audit and Risk Committee receives regular reports from senior management about the main sources of risk and any specific concerns around risk.

Risk registers are maintained and reviewed annually, which outline all the key risks the Group is exposed to. They aim to identify and promote effective management of any relevant risks through management taking any mitigating actions at the right time.

The Group's risk management processes, policies and procedures are embedded in our culture and working practices, and are operated through the 'three lines' model. More information on this can be found in the section 'Risk Overview' on page 30.

Review of key policies

Our governance framework is underpinned by several policies which are approved on an annual basis by the Board. The key company policies are as follows:

- Anti-bribery and Corruption
- Fraud
- Whistleblowing

Approved by the Board on 5 July 2022 and signed on its behalf by:

Christian Faes
Executive Chair

5 July 2022

Audit committee report

Dear Shareholder,

I am pleased to present to you the report of the Audit and Risk Committee (the "Committee") for the year ended 31 March 2022.

Areas of responsibility

The Committee is responsible for:

- reviewing the Group's financial statements and accounting policies, external audits and controls;
- advising on the appointment of external auditors; and
- overseeing our relationship with our external auditors and reviewing the effectiveness of the external audit process.

The Board has delegated a range of matters to the Committee, and the Committee operates within the parameters of the Terms of Reference agreed on 25 June 2021. These Terms of Reference are available on the Company's website.

Members	Meetings
Penny Judd (Chair)	3/3
Stephan Wilcke	3/3
Dale Murray	3/3
Nina Spencer (appointed 25 January 2022)	1/1

Membership

As at 31 March 2022, the Committee comprised the four independent non-executive directors on the Board, including myself. The Executive Chair and the Chief Investment Officer, as Founders and major shareholders of the business, have been granted Observer status. The CEO, the Chief Financial Officer and the company's external auditors, BDO LLP, are regularly invited to attend by the Committee. The Committee is satisfied that the Chair has recent and relevant financial experience. The Company Secretary acts as secretary to the Committee.

The Audit and Risk Committee meets as often as it deems necessary but in any case at least three times a year.

Key Activities

During the year, the Committee considered the following matters:

- Reviewing the company's systems of risk management, internal control and principal risks and uncertainties and recommending them to the Board.
- Reviewing the company's first set of half yearly results as a listed business.
- Considered the requirements for internal audit and whether it would be appropriate for a business of the company's size and maturity.
- The audit committee reviewed management's assessment of going concern, including the maturity of the listed bonds

Key Accounting Matters

The Committee assessed the quality and appropriateness of, and adherence to, the Group's accounting policies and principles. It reviewed whether the accounting estimates and judgements made by management were appropriate. The significant issues and accounting judgements considered by the Committee in respect of the half year ended 30 September 2021 and year ended 31 March 2022 are set out below:

- Revenue recognition – The Committee reviewed management's assessment of the recognition of revenue under IFRS 9 and IFRS 15 for assets which are held on the Group's balance sheet and assets which are originated and sold to third party entities.
- Prior Year Adjustments – The Committee discussed in detail with the Group's auditors the prior year adjustments, to understand the changes required to bring the treatment into line with accounting standards.
- Exceptional items – The Committee discussed analysis on the exceptional operating expenditure in the year relating to the IPO transaction costs and how they are represented in the annual report.
- Loan Loss Provisioning – The Committee discussed the risks to the business relating to credit and reviewed the approach by the auditors to assessing the appropriateness of the Group's expected credit loss model and any individual assessment of provisions.
- Fair Value measurement – The Committee reviewed and approved the Group's approach to the measurement of financial instruments and especially to the fair valuing of its Loan and Advances.
- Valuation of share based payments – The valuation methodology for the LTIP awards that were given during the year were discussed, with special focus on the volatility calculation.
- Consolidation – The Group's assessment of the consolidation of the entities in the group structure were discussed and confirmed.

Internal Audit

The Committee considered the Company's current governance requirements and guidance from the Institute of Internal Auditors in relation to internal audit. With the ultimate goal being to provide assurance on the effectiveness of governance, risk management and internal controls and taking into account the need to suit the individual business objectives and circumstances of the company, the Committee recommended the business take a risk-based approach to its internal audit strategy. This ensures that independent assurance is provided to the Board where needed, particularly on non-financial risks, while being proportionate to the company's size and circumstances. External consultants may be used given the subject matter expertise required to provide high value and meaningful insights on specific areas identified for internal audit.

External Audit

BDO LLP has acted for the Company as auditor for 7 years. The audit partner is due to rotate before 31 March 2024, with a competitive tender for audit services to be effected for the financial year ending no later than 31 March 2025. The Committee approved a 70% cap on non-audit fees and made a regular assessment of auditor independence. The Committee assessed the performance of the auditors and concluded that it is comfortable with their performance.

Risk management and internal controls

During the year, the Committee reviewed and approved the appropriateness of the Company's systems of risk management and internal controls. Over FY 2023, the Committee expects to see the Company continue to enhance its enterprise risk framework, along with continuing its programme of risk and control assessments.

Penny Judd
Chair
Audit and Risk Committee

Nomination committee report

Dear Shareholder,

I am pleased to present to you the report of the Nomination Committee (the "Committee") for the year ended 31 March 2022.

Areas of responsibility

The Committee is responsible for:

- reviewing the structure, size and composition of the Board; and
- reviewing succession plans for our Directors, including the Executive Chair, the CEO, and other senior executives.

The Board has delegated several matters to the Committee, and the Committee operates within the parameters of the Terms of Reference agreed on 25 June 2021. These Terms of Reference are available on the Company's website.

Members	Meetings
Stephan Wilcke (Chair)	3/3
Christian Faes	3/3
Penny Judd	3/3
Dale Murray	3/3
Nina Spencer (appointed 25 January 2022)	1/1

Membership

As at 31 March 2022, the Committee comprised the four independent non-executive directors on the Board, including myself, and the Executive Chair. The Chief Investment Officer, as a Founder and major shareholder of the business, has been granted Observer status. The CEO is invited to attend where appropriate. The Company Secretary acts as secretary to the Committee.

The Committee meets as often as it deems necessary but in any case, at least twice a year.

Key Activities

During the year, the Committee considered the following matters:

- The balance between independent and non-independent directors, along with the balance of skills, on the Board.
- The appointment of Nina Spencer as an independent non-executive director on 22 January 2022.

During the course of FY 2023, the Committee anticipates carrying out detailed succession planning for the Board (covering contingency, medium and long-term planning and including a focus on skills and diversity to maximise board effectiveness) and a review of the succession plans in place for the Executive Team. As part of the continuing development of the Company's governance in relation to the composition and structure of the Board, the Committee may, during FY 2023, make a recommendation to the Board in relation to a move from executive to non-executive status for the Executive Chair of the Board.

Stephan Wilcke
Chair
Nomination Committee

Remuneration committee report

Dear Shareholder,

I am pleased to present to you the report of the Remuneration Committee (the "Committee") for the year ended 31 March 2022. Although provided on a voluntary basis, this report is being made subject to an advisory vote at the 2022 AGM. The advisory vote supports a greater degree of accountability and provides shareholders with a say on executive pay.

Areas of responsibility

The Committee is responsible for:

- determining and agreeing with the Board the framework for the remuneration of the Company's Executive Chair, the Executive Directors and the Executive Committee (which includes the Company Secretary);
- approving the design of, and determining targets for, any performance-related pay schemes operated by the Company;
- reviewing the design of all share incentive plans for approval by the Board;
- reviewing the performance of the Executive Directors and making recommendations to the Board on matters relating to their remuneration, including the grant and vesting outcomes of performance-related pay; and
- reviewing the recommendations from the Executive Directors on matters relating to the remuneration of the Executive Committee, including the grant and vesting outcomes of performance-related pay.

The Board has delegated a range of matters to the Committee, and the Committee operates within the parameters of the Terms of Reference agreed on 25 June 2021. These Terms of Reference are available on the Company's website.

Members	Meetings
Stephan Wilcke (Chair)	4/4
Penny Judd	4/4
Dale Murray	4/4
Nina Spencer (appointed 25 January 2022)	2/2

Membership

As at 31 March 2022, the Committee comprised the four independent non-executive directors on the Board, including myself. The Executive Chair and the Chief Investment Officer (CIO), as Founders and major shareholders of the business, have been granted Observer status. The CEO, Chief Financial Officer (CFO), Chief People Officer (CPO) and the Company's remuneration advisor, Deloitte LLP, are invited as regular attendees, where appropriate. The Company Secretary acts as Secretary to the Committee. None of the aforementioned attend when their own remuneration is under discussion.

The Committee will meet as often as it deems necessary but in any case at least twice a year.

Remuneration policy

Prior to the Company's Admission, the Committee undertook a comprehensive review of the remuneration framework for the Executive Directors and wider workforce, to ensure that it:

- supports an effective pay for performance culture which enables the Group to attract, retain and motivate high calibre individuals;
- is simple and transparent to executives, employees and shareholders;
- enables executives and employees to build up a meaningful shareholding to foster stewardship and share in future value creation;
- is market competitive when compared to peers of a similar size and complexity; and
- aligns with shareholder views and supports good governance taking into account the company's AIM listed status.

Taking advice and recommendations from its remuneration advisor, Deloitte LLP, the Committee considered a range of incentive frameworks for the Executive Directors and concluded that an annual bonus alongside long-term performance shares was appropriate. This conventional framework incentivises both annual and long term performance and is well understood by shareholders. See page 52 for details.

Remuneration committee report continued

Remuneration policy continued

Christian Faes, the Executive Chair, and Ian Thomas, CIO, are deemed to be sufficiently incentivised through their substantial shareholdings in the Company. Therefore, they do not participate in the Company's annual bonus or long-term performance shares.

In order to further align the Executive Directors' long term interests with those of shareholders, share ownership guidelines have been introduced. Executive Directors are expected to build up and maintain a shareholding in the Company equivalent in value to 200% of salary.

FY22 performance and variable pay outcome

The Group has continued to achieve strong growth in Platform AuM (36% year-on-year growth) and Funds Under Management (18% year-on-year growth), driven by the success of our innovative, proprietary technology and strong demand for the Company's Buy-to-Let products. A demand which has been strengthened by the launch of the EPiC 'green mortgage' product. The Group increased PBT by 190% to £14.2 million since the prior year and slightly ahead of the Group's internal plan of £13.8 million.

Taking into account Group performance and performance against personal objectives, the Committee awarded Roderick Lockhart and Michael Evans bonuses of £30,000 each in respect of FY22 performance. See page 56 for further details.

No share options were exercised by any directors during the year.

Performance shares granted during FY22

Performance shares were granted to Roderick Lockhart and Michael Evans on 23 August 2021. The awards are subject to the achievement of absolute TSR performance targets measured over the period of three years from the grant date, therefore providing alignment with shareholder interests.
See page 56 for further details.

Reward for FY23

Salaries and fees

There are no increases to the salaries of the Executive Directors or to the fees of the Non-Executive Directors.

Annual bonus

The Company operates a discretionary bonus arrangement which the Executive Directors participate in. For FY23, the maximum opportunity for the Executive Directors is equal to 25% of salary. Awards will be determined by the Committee following the end of FY23 taking into account Group PBT performance, non-financial performance, the performance of the individual, and the experience of shareholders and other stakeholders over the performance period.

As noted above, Christian Faes and Ian Thomas do not participate in the Company's bonus arrangement.

Performance shares

Roderick Lockhart and Michael Evans will each be granted performance shares with a maximum opportunity equal to 200% of salary respectively. Vesting will be subject to the achievement of absolute Total Shareholder Return ("TSR") performance and EPS performance over the three year period to the end of FY25.

Absolute TSR provides alignment with shareholder interests. EPS is a key external measure of financial performance over the longer term and has therefore been introduced as a performance metric alongside TSR. The weighting of TSR and EPS and the targets will be disclosed at the time of grant.

As noted above, Christian Faes and Ian Thomas do not participate in the Company's long-term performance shares.

Key Activities

During the year, the Committee considered the following matters:

- Executive Director's base salary and grant of performance shares;
- Annual bonus outcomes;
- Workforce engagement and broader workforce policies; and
- Re-appointment of Deloitte LLP as advisor to the Committee.

I look forward to receiving your support at our AGM, where I will be available to respond to any questions shareholders may have on this Directors' Remuneration Report or in relation to any of the Committee's activities.

Stephan Wilcke
Chair
Remuneration Committee

Directors' Remuneration Policy

Policy table for Executive Directors

Component	Operation	Maximum opportunity	Performance measures
Base salary To recruit, retain and motivate high calibre executives.	Salaries are usually reviewed annually taking into account a number of factors, including (but not limited to): – role, experience and capabilities of the individual; – competitive salary levels and market forces; and – pay and conditions elsewhere in the Group.	Increases will normally be in line with the range of salary increases awarded (in percentage of salary terms) to other employees in the Group. Salary increases above this level may be awarded to take account of individual circumstances, such as, but not limited to: – where an Executive Director has been promoted or has had a change in scope or responsibility; – where there has been a change in market practice; or – where there has been a change in the size and/or complexity of the business. Increases may be implemented over such time period as the Committee deems appropriate.	Not applicable.
Benefits To provide market competitive benefits as part of the total remuneration package.	Benefits include, but are not limited to, private medical insurance and life assurance. In certain circumstances, the Committee may approve one-off or ongoing allowances or benefits relating to the relocation of an Executive Director as may be required to perform the role.	The value of benefits is set at a level which the Committee considers to be appropriate taking into account relevant market levels based on the nature and location of the role and individual circumstances.	Not applicable.
Pension To provide an appropriate level of retirement benefit.	Executive Directors participate in the Company's defined contribution pension scheme or receive cash payments in lieu of contributions (e.g. where contributions would exceed either the lifetime or annual contribution limits).	The maximum Company contribution is aligned with the level available to the majority of the workforce (currently 4% of salary).	Not applicable.

Directors' Remuneration Policy continued

Policy table for Executive Directors continued

Component	Operation	Maximum opportunity	Performance measures
Annual bonus To incentivise the achievement of key annual financial and strategic targets.	The Group operates a discretionary bonus arrangement which the Executive Directors may participate in. A minimum of 50% of the amount earned is paid in cash following the end of the financial year, with the remainder deferred into shares for a year. Dividend equivalents may accrue on deferred shares. Malus and clawback provisions apply (see page 53).	Maximum opportunity of up to 100% of salary may be awarded in respect of any financial year. The combined annual bonus and LTIP maximum opportunities may not exceed 300% of salary in respect of a financial year.	Bonus awards are determined by the Committee taking into account performance against Group PBT performance, non-financial performance, the performance of the individual, and the experience of shareholders and other stakeholders over the performance period.
Long term incentive plan To incentivise the achievement of long-term sustainable growth and provide direct alignment with shareholder interests.	Award of performance shares which are subject to performance conditions and continued employment over a three-year period. Dividends equivalents may accrue on performance shares. Malus and clawback provisions apply (see page 53). The Committee has discretion to amend the vesting outcome if it is not deemed to reflect appropriately the underlying financial or non-financial performance of the Group, the performance of the individual, or the experience of shareholders or other stakeholders over the performance period.	Maximum opportunity of up to 300% of salary may be awarded in respect of any financial year. The combined annual bonus and LTIP maximum opportunities may not exceed 300% of salary in respect of a financial year.	Awards are subject to performance conditions which are determined annually by the Committee reflecting the Group's strategy and KPIs. Awards will vest between 25% and 100% for performance between threshold performance and maximum performance.
All-employee Share Incentive Plan ("SIP") To encourage employee share ownership.	Executive Directors are eligible to participate in the all-employee SIP on the same basis as other qualifying employees.	The maximum number of shares that may be awarded or purchased is subject to limits in the applicable tax legislation.	Not applicable.

Malus and clawback

Malus and clawback provisions apply to annual bonus and performance shares as follows:

	Malus	Clawback
Annual bonus	To such time as payment is made	Up to two years following payment
Deferred bonus	To such time as the award vests	Between the vesting date and the second anniversary of the grant date
Performance shares	To such time as the award vests	Between the vesting date and the fifth anniversary of the grant date

Malus and clawback may be applied in the following circumstances:
- a material misstatement of the Group's financial results;
- an error in assessing a performance condition;
- a material failure of risk management;
- serious reputational damage to the Group;
- serious misconduct on the part of the participant; or
- any other circumstances which the Committee in its discretion considers to be similar in their nature or effect.

Shareholding guidelines

In order to further align the Executive Directors' long term interests with those of shareholders, share ownership guidelines are in place that expect the Executive Directors to build up and maintain a shareholding in the Company equivalent in value to 200% of salary.

Policy table for Non-Executive Directors

Component	Operation
Annual fees Sole element of Non-Executive Director remuneration, set at a level that reflects market conditions and are sufficient to attract individuals with the appropriate knowledge and experience.	Fees are normally reviewed annually. Fees paid to other Non-Executive Directors are approved by the Board. Non-Executive Directors receive a basic fee. Additional fees may also be paid for further responsibilities, which may include chairmanship of board committees or holding the office of Senior Independent Director. Non-Executive Directors do not participate in any of the Group's share schemes or annual bonus. Non-Executive Directors may be eligible to receive benefits such as travel costs or other benefits that may be appropriate.

Recruitment remuneration

The policy aims to facilitate the appointment of individuals of sufficient calibre to lead the business and execute the strategy effectively for the benefit of shareholders. When appointing a new Executive Director, the Committee seeks to ensure that arrangements are in the best interests of the Company and not to pay more than is appropriate.

The Committee will take into consideration a number of relevant factors, which may include the experience of the individual, the candidate's existing remuneration package, and the specific circumstances of the individual.

The Committee will typically seek to align the remuneration package with the above Policy. When deemed necessary and acting in the best interests of the Company and shareholders, the Committee may include other elements of pay which it considers are appropriate.

The Committee may make payments or awards in respect of hiring an Executive Director to "buyout" arrangements forfeited on leaving a previous employer. In doing so the Committee will take account of relevant factors including any performance measures attached to the forfeited arrangements and the time over which they would have vested. The Committee will generally seek to structure buyout awards or payments on a like-for-like basis to the remuneration arrangements forfeited.

Fees payable to a newly-appointed Chair or Non-Executive Director will be in line with the fee policy in place at the time of appointment.

Directors' Remuneration Policy continued

Service contracts and letters of appointment

Executive Directors' service contracts are on a rolling basis and may be terminated by the Company or the Executive Director upon six months' notice.

Non-Executive Directors' letters of appointment are for a fixed term ending on the Company's third AGM following Admission unless terminated by the Company or Non-Executive Director upon three months' notice.

Name	Date of initial appointment	Expiry of current term	Notice period
C Faes	17 July 2012	N/A	6 months
R Lockhart	13 January 2020	N/A	6 months
I Thomas	17 July 2012	N/A	6 months
M Evans	26 May 2021	N/A	6 months
S Wilcke	15 June 2021	2025 AGM	3 months
P Judd	15 June 2021	2025 AGM	3 months
D Murray	15 June 2021	2025 AGM	3 months
N Spencer	25 January 2022	2025 AGM	3 months

Payments for loss of office

The principles on which the determination of payments for loss of office will be approached are set out below:

	Policy
Payment in lieu of notice	The Company has discretion to make a payment in lieu of notice. Such a payment would include salary for the unexpired period of notice. Any such payments will be subject to mitigation.
Annual bonus	The award of any annual bonus will be at the discretion of the Committee taking into account a number of factors, including the circumstances of the individual's departure and the performance of the individual and Group during the period. Any annual bonus awarded will normally be pro-rated for time in service during the performance period and will, subject to performance, be paid at the usual time. The Committee retains discretion to accelerate payment in exceptional circumstances (e.g. death).
Deferred bonus	The extent to which any unvested award will vest will be determined in accordance with the rules of the Deferred Bonus Plan. Unvested awards will normally lapse on cessation of employment. However, if a participant leaves due to death, ill-health, injury, disability, the sale of their employer or any other reason at the discretion of the Committee, awards will continue and vest at the normal vesting date. The Committee retains discretion to accelerate vesting in exceptional circumstances (e.g. death). Unless the Committee determines otherwise, the level of vesting will be determined taking into account the proportion of the deferral period that had elapsed on the date that the participant ceases employment.
Long term incentive	The extent to which any unvested award will vest will be determined in accordance with the rules of the Long Term Incentive Plan. Unvested awards will normally lapse on cessation of employment. However, if a participant leaves due to death, ill-health, injury, disability, the sale of their employer or any other reason at the discretion of the Committee, awards will continue and vest at the normal vesting date. The Committee retains discretion to accelerate vesting in exceptional circumstances (e.g. death). The level of vesting will be determined by the Committee taking into account the extent to which the performance condition is satisfied and, unless the Committee determines otherwise, the proportion of the performance period that had elapsed on the date that the participant ceases employment.
Other payments	In appropriate circumstances, payments may also be made in respect of accrued holiday, outplacement and legal fees.

The Committee reserves the right to make additional exit payments where such payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of settlement or compromise of any claim arising in connection with the termination of a Director's office or employment.

There is no entitlement to any compensation in the event of Non-Executive Directors' fixed-term agreements not being renewed or the agreement terminating earlier.

Policy for the remuneration of employees more generally

The key principles of the remuneration philosophy are applied consistently across the Group, taking into account seniority and market practice.

Base salaries are reviewed annually and increases for Executive Directors are typically in line with those awarded to the wider workforce.

Eligible employees participate in an annual bonus plan.

Performance shares are granted to employees on a discretionary basis on the same terms as the awards made to Executive Directors.

Qualifying employees are eligible to participate in a tax-advantaged all-employee Share Incentive Plan.

Consideration of shareholder views

The Committee considers shareholder views when determining remuneration matters for the Executive Directors and wider workforce. The Committee may engage with major shareholders where it considers there to be material changes to the executive remuneration framework.

Annual Report on Remuneration

Single figure table

The following table sets out total remuneration for each Director in respect of FY22.

	Salary and fees £000	Benefits* £000	Pension £000	Annual bonus £000	Total remuneration £000
Executive Chair					
Christian Faes	229	3	–	–	232
Executive Directors					
Rod Lockhart	368	1	14	30	413
Michael Evans	247	1	10	30	288
Ian Thomas	247	2	–	–	248
Non-Executive Directors					
Stephan Wilcke	79**	0.2	–	–	79
Penny Judd	78**	0.1	2	–	80
Dale Murray	70**	0.1	2	–	80
Nina Spencer	10	0.1	0.4	–	11

* Benefits include private medical insurance and life assurance.

** Stephan Wilcke, Penny Judd and Dale Murray were awarded a bonus of £34,506, £34,482 and £25,641 respectively (before tax, equal to £20,000 each, post-tax) for their work in connection with the Admission. The bonus (net of tax) was used by each of the Non-Executive Directors to subscribe for shares in the Company at Admission.

Directors' Remuneration Policy continued

Additional disclosures in respect of the single figure table

Base salary

Details of annual base salaries for the Executive Chair and Executive Directors for FY22 are set out below. Salary increases were awarded on Admission.

Name	Annual base salary from 1 April 2021 to 13 July 2021 £000	Annual base salary from 14 July 2021 to 31 March 2022 £000
Christian Faes	175	250
Rod Lockhart	200	400
Michael Evans	175	275
Ian Thomas	175	275

Non-Executive Director fees

Details of Non-Executive Director annual fees effective from Admission are set out below:

	Annual fees effective from 14 July 2021 £000
Non-Executive Director fee (inclusive of any additional responsibilities)	55

FY22 annual bonus awards

Taking into account Group performance and performance against personal objectives in respect of FY22, the Committee awarded the following cash bonuses to the Executive Directors.

Name	Bonus received in respect of FY22 £000
Rod Lockhart	30
Michael Evans	30

In particular, the following achievements were taken into account:

- Leading the Group to the successful completion of its IPO onto the London Stock Exchange.
- Hitting analyst forecasts for profit before tax, Platform AuM, and Adjusted EBITDA for the year.
- Successful completion of the Group's third RMBS securitisation.

Christian Fees and Ian Thomas do not participate in the Group's bonus arrangements.

Roderick Lockhart was also awarded a cash bonus of £25,000 in June 2021 as part of a contractual bonus arrangement prior to Admission.

Performance shares granted during FY22

Performance shares in the form of nil-cost share options were granted to Roderick Lockhart and Michael Evans on 23 August 2021. The awards are subject to the achievement of absolute TSR performance targets measured over the period of three years from the grant date. The awards will vest and become capable of exercise following the end of the performance period once the Committee has determined whether the performance targets have been satisfied.

Roderick Lockhart was granted an award with a maximum opportunity based on 200% of his post-Admission annual salary, which was pro-rated to reflect the post-Admission period in respect of FY22.

Michael Evans was granted an award with a maximum opportunity equal to 300% of his post-Admission annual salary. This was an exceptional award level in order to support the build-up of his equity and fully align him with the growth strategy of the Group.

Name	Number of shares granted	Face value of award at the grant date (£000)*
Rod Lockhart	312,356	682
Michael Evans	377,574	825

* Calculated based on the mid-market closing share price on the dealing day immediately prior to the grant date (20 August 2021 – £2.185).

The absolute TSR targets are set out below.

Absolute TSR at the end of the three-year performance period	Vesting (% maximum)**
£3.63	100%
£2.65	25%
Less than £2.65	0%

** Straight-line vesting between points.

The Committee has discretion to amend the vesting outcome if it is not deemed to reflect appropriately the underlying financial or non-financial performance of the Group, the performance of the individual, or the experience of shareholders or other stakeholders over the performance period.

Directors' share interests

The Executive Directors are expected to build up and maintain a shareholding in the Company equivalent in value to at least 200% of annual salary. As at 31 March 2022, Christian Faes, Roderick Lockhart and Ian Thomas have all exceeded the guideline. Michael Evans was appointed as CFO on 26 May 2021 and is expected to make progress towards the guideline over the coming years.

The interests of the Directors and their connected persons in the Company's ordinary shares as at 31 March 2022 were as follows:

	Type	Shares beneficially held	Unvested and subject to performance	Unvested and not subject to performance	Vested but unexercised
Executive Chair					
Christian Faes	Shares	40,055,912	–	–	–
Executive Directors					
Rod Lockhart	Shares	2,933,148	–	–	–
	FY22 Performance shares	–	312,356	–	–
Michael Evans	Shares	–	–	–	–
	CSOP awards granted pre-Admission	–	–	62,000	–
	CSOP awards granted pre-Admission	–	–	–	100,000
	FY22 Performance shares	–	377,574	–	–
Ian Thomas		40,055,912	–	–	–
Non-Executive Directors					
Stephan Wilcke	Shares	210,753	–	–	–
Penny Judd	Shares	10,753	–	–	–
Dale Murray	Shares	64,516	–	–	–
Nina Spencer	Shares	–	–	–	–

As at 5 July 2022, the Company has not been advised of any changes to the interests of the Directors and their connected persons as set out in the table above.

Each of the Directors agreed that, without prior written consent, they will not sell any of their shares for the first 12 months following Admission, except through Berenberg with a view to maintaining an orderly market.

Advisers to the Remuneration Committee

The Committee received independent advice from Deloitte LLP during FY22. Deloitte is a founder member of the Remuneration Consultants Group and as such voluntarily operates under its Code of Conduct in relation to executive remuneration in the UK.

Approval

This Report was approved by the Board on 5 July 2022 and signed on its behalf by:

Stephan Wilcke
Chair
Remuneration Committee

5 July 2022

Directors' report

The directors who served during (or who were appointed during) the financial year ended 31 March 2022 – and up to the date of signing the financial statements – present their report on the affairs of the Group. They also present the Company's financial statements and the audited consolidated financial statements of the Group, and the associated independent auditor's report, for the year ended 31 March 2022.

LendInvest is listed on the London Stock Exchange, AIM segment and is incorporated and domiciled in the UK. The registered address is 2 Fitzroy Place, 8 Mortimer Street, London, W1T 3JJ.

The Board has agreed to apply the QCA Code. Further information on how we are governed can be found from page 40.

The principal activities of the Company and the other members of the Group can be found on page 124. Other disclosure requirements as required by law and in line with governance best practice throughout the Directors Report, where this has already been covered in another part of the Strategic or Governance Reports or Financial Statements the appropriate reference to this information is given.

Our directors

Name	Role	Appointment date
Christian Faes	Executive chair of the Board	17 July 2012
Rod Lockhart	CEO	13 January 2020
Michael Evans	CFO	26 May 2021
Ian Thomas	CIO	17 July 2012
Stephan Wilcke	Senior independent director	15 June 2021
Dale Murray	Independent non-executive director	15 June 2021
Nina Spencer	Independent non-executive director	25 January 2022
Penny Judd	Independent non-executive director	15 June 2021

Annual general meeting

Details of the matters to be conducted at the AGM will be contained in the Notice of Annual General Meeting which will be communicated separately to shareholders.

Charitable and Political donations

During the year, the Group made no political donations (2021: nil).

Donations to charitable organisations amounted to £11,910.

Directors' conflicts of interest

We have procedures in place for managing conflicts of interest. Should a director become aware that they, or a party connected to them, has an interest in an existing or proposed transaction with the Company, they should notify the Board and Company Secretary in writing. Internal controls are in place to make sure that any related-party transaction involving directors, or a party connected to them, is conducted at arm's length. Directors have a continuing duty to keep their conflicts of interest up to date.

Directors' interests

The interests of the Directors and their connected persons in the Company's ordinary shares as at 31 March 2022 are set out in the table at page 57 above.

There have been no changes in the serving directors' interests in ordinary shares, or options over ordinary shares, from 31 March 2022 to the date of this Report.

Dividends

The directors have recommended a final ordinary share of 4.4p per share and a progressive dividend policy. If approved by shareholders at the Annual General Meeting, the final dividend will be paid on 16 September 2022 to ordinary shareholders whose names were on the Register of Members on 26 August 2022.

Employee Benefit Trust

The Company established an EBT for the benefit of employees and former employees of the Group. Its purpose is to acquire Shares for the purposes of satisfying Share Plans established by the Group from time to time. As at 31 March 2021 the EBT held 861,000 Ordinary Shares.

Employment policy

Our employment policies are based on a commitment to provide equal opportunity, from the selection and recruitment process through to training, development, appraisal and promotion.

You can find more information about how the directors engage with our people in the Strategic report from page 23.

Energy and carbon emissions

You can find information about disclosures from page 20 in the Strategic report.

Engaging with shareholders

You can find information about how our directors have engaged with our shareholders from page 23 in the Strategic report.

Our website provides electronic versions of the latest Annual Report and accounts and our half-year reports, along with share price and other relevant information. You can find this information at lendinvest.com.

Engaging with suppliers and customers

You can find information about how our directors have fostered relationships with our stakeholders from page 23 in the Strategic report.

Financial instruments

You can find details of our financial risk management objectives and policies, and risk exposures, from page 91 in the financial statements.

Future developments

The board intends to continue to pursue the business strategy as outlined in the strategic report on page 6.

Going concern

The directors have a reasonable expectation that the Group will have adequate resources to continue to operate for a period of at least 12 months from the signing date of these accounts. The directors believe the Group is in a strong financial position having raised £40 million during its listing onto the London Stock Exchange Alternative Investment Market in July 2021, and as the Group is cash generative through its operations. The directors have reviewed the financial plan for the forthcoming year across a range of potential scenarios, including a review of ongoing covenant compliance under expected and potential stressed scenarios. The upcoming maturity of the Retail Bond has also been considered. They will continue to adopt the going concern basis to prepare the financial statements presented in this Report.

Indemnities and insurance

We maintain directors' and officers' liability insurance for all directors and officers of the Group.

As far as the law allows, and according to the company's Articles of Association, we indemnify our directors for any loss, liability or expense they incur in relation to the company or one of its associated companies. The indemnity was in force during the year and up to the date we approved the Financial Statements.

Independent auditors

A resolution to reappoint BDO as our auditors, and to authorise the directors to determine their remuneration, will be put before the AGM on 8 September 2022.

Modern Slavery Act

Our statement on modern slavery in our supply chain is available on our website at lendinvest.com.

Post-balance sheet events

On 13 May 2022, the Group completed its fourth securitisation which included £270 million of UK prime Buy-to-Let mortgage loans in an oversubscribed RMBS transaction. Citi acted as Sole Arranger, with Citi, National Australia Bank, J.P. Morgan and Standard Chartered Bank acting as Joint Lead Managers.

Directors' report continued

Principal risks and uncertainties

You can find information about our principal risks and uncertainties from pages 30 and 33 in the Strategic report.

Purchase of shares

The company was authorised, at listing, to make market purchases of Ordinary Shares subject to a limit of 10 per cent of its issued share capital. No such purchases have been made since listing. A request for this authority to be renewed will be made at the AGM.

Share capital and share premium

The Company has one class of shares in issue: ordinary shares of no-par value. At 31 March 2022, the total number of shares in issue is 137,698,910, with each ordinary share carrying the right to one vote. Under the Financial Conduct Authority's Disclosure Guidance and Transparency Rules ("FCA's DTR"), shareholders can use this figure as the denominator for calculations they make to determine if they need to notify their interest in, or a change in their interest in, the company's share capital.

You can find more information about the Company's share capital in Note 23 to the Consolidated Financial Statements.

Substantial shareholders

In line with the FCA's DTR, any information major shareholders give us is published through a regulatory information service provider and made available at lendinvest.com.

We have received the information shown here in the table below from holders of notifiable interests in the company's issued share capital. This is in line with DTR5 and up to date as at 31 March 2022. The lowest threshold is 3% of the company's voting rights. Holders are not required to let us know of any change until this, or the next applicable threshold, is reached or crossed.

Substantial shareholders as at 31 March 2022

Name	Registered holding of ordinary shares	% of total issued share capital
Ian Thomas (individually and via a wholly owned corporate entity)	40,055,912	29.1
Christian Faes (individually and via a wholly owned corporate entity)	40,055,912	29.1
Atomico (via Atomico IV L.P and Atomico IV Guernsey)	16,861,040	12.24
Liontrust UK Smaller Companies Fund	8,081,350	5.87

Approved by the Board on 5 July 2022 and signed on its behalf by:

Christian Faes
Executive Chair

5 July 2022

Statement of directors responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group financial statements in accordance with UK-adopted international accounting standards and the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

Under company law, 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 company and of the profit or loss of the group for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed for the group financial statements and United Kingdom Accounting Standards, comprising FRS 102 have been followed for the company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006.

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

Directors' confirmations

The directors consider that the Annual Report and Accounts and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's and company's position and performance, business model and strategy.

Each of the directors, whose names and functions are listed on page 34 confirm that, to the best of their knowledge:

- the group financial statements, which have been prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the group;
- the company financial statements, which have been prepared in accordance with United Kingdom Accounting Standards, comprising FRS 102, give a true and fair view of the assets, liabilities and financial position of the company; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the group and company, together with a description of the principal risks and uncertainties that it faces.

In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the group's and company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group's and company's auditors are aware of that information.

Independent auditor's report to the members of LendInvest Plc

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2022 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with UK adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of LendInvest Plc (the "Parent Company") and its subsidiaries (the "Group") for the year ended 31 March 2022 which comprise the Consolidated statement of profit and loss, the Consolidated statement of other comprehensive income, the Consolidated and Company statements of financial position, the Consolidated and Company statements of cash flows, the Consolidated and Company statements of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs" (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We remain 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 as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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. Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- Review minutes of meetings of those charged with governance and correspondence with the regulator such as the Financial Conduct Authority;
- Challenging the appropriateness of the Directors' assumptions and judgements made in their base forecast and stress-tested forecast. In doing so we agreed key assumptions such as forecast growth to historic actuals and relevant market data and considered the historical accuracy of the Directors' forecasts;
- We also made enquiries of the Directors to determine whether there were any breaches of borrowing covenants within the year or subsequent to year end and the ability for the Group to manage any potential breaches;
- Performing a review of compliance with borrowing covenants which comprised obtaining and reviewing covenant compliance statements to verify that no covenant breaches have occurred which may trigger penalties or repayment of borrowings ahead of the maturity dates;
- Obtaining and assessing management's plans in respect of the Retail Bond that matures in August 2022;
- We also assessed forecast covenant compliance and the available headroom before a breach would occur in both the base forecast and stress-tested forecast;
- Enquiring with the Directors and assessing the continued economic impact of COVID-19, Brexit and developments in Ukraine on the business and whether the impact thereof has been adequately factored into their assessment of going concern; and
- We inspected the latest post year end management accounts and review minutes of the meeting to determine if there were any significant matters which could affect the going concern of the Group and Parent Company.

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 and the 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.

Overview

Coverage	100% of Group profit before tax 100% of Group revenue 100% of Group total assets
Key audit matters	
	2022
	Revenue Recognition ✔
	Loan Loss Provisioning ✔
	Loans and Advances valuation ✔
Materiality	Group financial statements as a whole £711,000 based on 5% of Profit before tax

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

The Group is made up of the Parent Company, its wholly owned subsidiaries and entities it consolidates due to its assessed control. The significant components were determined to be:

- LendInvest PLC
- LendInvest Secured Income PLC
- LendInvest BTL Limited
- LendInvest Bridge Limited
- Mortimer BTL 2019-1 PLC
- Mortimer BTL 2020-1 PLC
- Mortimer BTL 2021-1 PLC
- Titan No. 1.
- LendInvest Warehouse Limited
- LendInvest Platform Limited

These ten components were subject to full scope audits performed by the Group audit team.

In addition, there were 18 Group components which were deemed to be insignificant components. Insignificant components individually or collectively contained balances material to the Group. The insignificant component company balances that were material to the group were subject to full scope audit performed by the Group audit team due to local statutory requirements. In addition, there were 4 dormant entities.

Independent auditor's report to the members of LendInvest Plc continued

Key audit matters

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

Revenue Recognition

Key audit matter		How the scope of our audit addressed the key audit matter
The Group's accounting policies are disclosed in note 1.8.	The Group's mortgage interest income is recognised on an effective interest rate ("EIR") method in accordance with the requirements of applicable accounting standards. This method involves adjusting fee and interest income to ensure it complies with the EIR method. The models used to achieve this are complex and reliant on the completeness and accuracy of input data. Significant management judgement is also required to determine the expected cash flows for the Group's loans and advances within these models. The key assumption in the EIR models is the expected behavioural life redemption profiles of the mortgages due to the impact on timing and quantum of expected future cash flows. Error within the EIR models itself or bias in key assumptions applied could result in the material misstatement of revenue. Revenue recognition on an EIR basis is therefore considered to be an area of significant risk and an area of focus for our audit. In addition the Group allocates income between legal entities depending on the legal ownership. Due to the complexity of the adjustments required on the transfer of loans and the potential for management override and bias we have considered the recognition of interest income in the appropriate legal entity to be an area of significant risk and an area of focus for our audit.	**Effective interest rate risk** We utilised our internal IT specialist to assess the IT control environment surrounding the loans and related income and tested the operating effectiveness of internal application controls around the calculation of interest income. We assessed whether the revenue recognition policies adopted by the Group are in accordance with requirements of the applicable accounting standards. This included assessment of the types of fees and costs being spread within the EIR models to determine if these should be recognised under IFRS 9 or IFRS 15. We assessed the completeness and accuracy of data and key model inputs feeding into the EIR models by agreeing samples back to the system or source documents. We assessed the mathematical accuracy of the EIR Model's by recalculating samples of EIR adjustments. We assessed and challenged the reasonableness of the loan behavioural life assumptions applied by management for the EIR calculations based on comparison to the Group's historical data, recent loan performance, product type and our own expectation of loan behaviour. We undertook sensitivity analysis on the behavioural life assumptions to ascertain how susceptible the EIR adjustment was to manipulation. **Allocation of income between legal entities on transfer of loans risk** With the use of our internal IT specialists, we tested the IT control environment surrounding the loans and related income and tested the design and operating effectiveness of controls over the transfer of loans between entities and the allocation of contractual interest income between legal entities. We selected a sample of interest allocation adjustments and loan transfers and verified these to supporting legal agreements to verify the accuracy of the split of interest income. We performed testing over loan transfers which we considered to be high risk and outside expectations based on our understanding of the Group. For those identified we made enquiries of Management to gain an understanding of the basis for these transfers and corroborated these explanations to supporting internal approvals. **Key observations:** We have not identified any indicators that the assumptions included in the EIR models are unreasonable in consideration of the Group's mortgage portfolio, historic behaviours and current economic and market conditions. We have not identified any indicators that the revenue allocation between entities is inappropriate.

Loan Loss Provisioning

Key audit matter		How the scope of our audit addressed the key audit matter
The Group's accounting policies are disclosed in note 1.15 with detail about judgements in applying accounting policies and critical accounting estimates on page 86. **As disclosed in note 19 the Loan Loss Provision at year-end is £11.0 million (2021: £8.5 million).**	Commensurate with the activities of the Group, the total loan loss provision is a material balance subject to management judgement and estimation. Key judgements and estimates in respect of the timing and measurement of expected credit losses ("ECL") include: – Determination of the appropriate methodology and determination of what constitutes a Significant Increase in Credit Risk ("SICR"). – The incorporation of macroeconomic variables, in particular UK house price inflation and unemployment, and the probability weightings of the macroeconomic scenarios used. Loan loss provisioning was considered a significant risk and a key audit matter due to: – The potential for management bias in key judgements, estimates, modelling assumptions and accounting interpretations applied. – The risk of error due to the complexity of modelling used to calculate the Group's ECL. – The material judgements applied in the recovery strategies and scenario weighting of the individually assessed Stage 3 loans. – The judgements applied in selecting and incorporating macroeconomic factors. – The judgments and estimates applied in applying post model adjustments.	We assessed the completeness and accuracy of data and key model inputs feeding into the loan loss provisioning models through reconciliation to underlying records. With the support of our internal data and valuations experts we have assessed the model code to confirm it's functioning in line with the stated methodology and requirements of the applicable accounting standard. We also independently re-ran the model code within a test environment to confirm accuracy of the model outputs used by the Group. We evaluated the appropriateness of the selection and source of the information used by the Group to determine PDs, Loss given default ("LGDs") and Exposure at default ("EADs") by considering the requirements of the applicable accounting standard. With the use of our internal valuation and economics expert we: – Assessed the appropriateness of the Probability of Default ("PD") model used. – Assessed the appropriateness of the regression models used and the source and type of macroeconomic variables used such as GDP and unemployment data. – Assessed the reasonability of multiple economic scenarios used and weighting by considering the number of scenarios selected compared to market practices and through performing sensitivity analysis. We evaluated the Group's determination of what constitutes a SICR and staging allocations with reference to requirements of applicable accounting standards and industry practices. We then verified a sample of the Group's loans, to determine if staging and SICR assessment has been applied in line with the Company's methodology. We have assessed the completeness of loans subject to individual assessment through inquiry of the loan servicing team and reapplication of the individual assessment criteria to the Group's loans. We assessed the accuracy and validity of data that feeds into the individual assessment cases as well as the progress on the preferred recovery scenario being pursued to supporting documentation. Based on supporting case evidence assessed and discussions with the credit team we evaluated and challenged the judgements applied in the individually assessed Stage 3 loan assessments. This included assessment of the recovery strategies, recovery timelines, and the scenario weighting applied in the individual assessment. We have challenged and assessed the validity and accuracy of any post model adjustments against the requirements of the applicable accounting standards, through recalculation and agreeing to underlying supporting documentation. We performed sensitivity analysis over key assumptions, such as forced sale discounts, significant increase in credit risk and discount periods, and considered these assumptions based on the past experience of the Group. **Key observations:** Based on our audit work performed, we consider the estimates made by management in the calculation of the impairment provision for loans and advances to be reasonable, and in line with the requirements of IFRS 9.

Independent auditor's report to the members of LendInvest Plc continued

Loans and Advances Valuations

Key audit matter		How the scope of our audit addressed the key audit matter
The Group's accounting policies are disclosed in note 1.15 with detail about judgements in applying accounting policies and critical accounting estimates on page 85. **As disclosed in note 19 the Fair Value Adjustment at year-end is £5.2 million (2021: £35.8 million).**	The Group's business model requires the Group to measure the loan book at Fair value through Other Comprehensive Income which requires modelling to determine the fair value adjustment to be applied to Loans and Advances. This modelling is subject to material management judgments and assumptions in the determination of the discount rate used to discount future cashflows. The Group's models are materially sensitive to small changes in the discount rate assumption and therefore the valuations of the Groups loan portfolios was considered to be a significant risk and key audit matter.	We assessed the completeness and accuracy of data and key model inputs feeding into the Loan fair value models through reconciliation to underlying records. We undertook sensitivity analysis on the key inputs of the models and ascertained how susceptible the fair valuation of the model is to manipulation. With the use of our internal valuation experts we: – Evaluated how the models calculated the fair value of the loan portfolios. – Evaluated the selection of key estimates and judgments that feed into the models, in particular the discount rates applied in the models. We also checked that the calculations of the models are in line with relevant accounting standards. – Assessed the models to check whether the fair values determined by management sit within our assessed acceptable reasonable range. We recalculated the computations of the discount rates, agreeing inputs used to supporting documentation. We have challenged and assessed the validity and accuracy of any post model adjustments against the requirements of the applicable accounting standards, through recalculation and agreeing to underlying supporting documentation. **Key observations:** Based on our audit work performed, we consider the valuation of loans and advances is a reasonable estimate in consideration of the key assumptions and judgements made.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements	Parent company financial statements
	2022 £	2022 £
Materiality	711,000	510,000
Basis for determining materiality	5% of profit before tax	7.5% of profit before tax
Rationale for the benchmark applied	In establishing an appropriate benchmark to use, we considered various financial measures including those used by management in their internal reporting, other relevant measures such capital surplus requirements, and industry practice. As a result of the AIM listing in the current year, there is greater public interest with a larger and wider group of users with a focus on profit. Therefore, profit before tax was considered to be the most appropriate benchmark.	
Performance materiality	533,250	382,500
Basis for determining performance materiality	75% of Materiality	75% of Materiality
Rationale for the benchmark applied	Determined on the basis of our risk assessment together with our assessment of the overall control environment.	Determined on the basis of our risk assessment together with our assessment of the overall control environment.

Component materiality

We set materiality for each component dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £34,000 to £510,000. In the audit of each component, we further applied performance materiality levels of 75% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £14,220. We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

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.

Independent auditor's report to the members of LendInvest Plc continued

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	In our opinion, based on the work undertaken in the course of the audit: – the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and – the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. 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.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: – adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or – the Parent Company financial statements are not in agreement with the accounting records and returns; or – certain disclosures of Directors' remuneration specified by law are not made; or – we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in Statement of Directors Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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:

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the Directors and other management, and discussed with the Directors and other management the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The legal and regulatory frameworks determined most significant were:

- Companies Act 2006.
- The applicable financial reporting framework.
- The General Data Protection Regulations ("GDPR").
- Financial Conduct Authority rules.

We assessed the susceptibility of the financial statements to material misstatement, including fraud and considered the fraud risk areas to be management override of control and management bias in accounting estimates.

Our procedures in response to the above included:

- obtaining an understanding of the control environment in monitoring compliance with laws and regulations;
- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with the relevant laws and regulations discussed above;
- enquiring of management and those charged with governance about their own identification and assessment of the risks of irregularities, including fraud;
- reading minutes of meetings of those charged with governance and correspondence with the Financial Conduct Authority;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of a sample of journal entries and other adjustments to supporting documentation and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business; and
- in addressing the risk of fraud in accounting estimates, the procedures performed in the key audit matters section of our report assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

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.

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

Ariel Grosberg (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor

London, United Kingdom
5 July 2022

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 2022 before exceptional items £'m	Exceptional listing expenses[2] £'m	Year Ended 31 March 2022 £'m	Year Ended 31 March 2021 before exceptional items (Restated[1]) £'m	Exceptional restructuring expenses[2] £'m	Year Ended 31 March 2021 (Restated[1]) £'m
Interest revenue	6	58.6	–	58.6	50.0	–	50.0
Fee and other income	6	22.7	–	22.7	16.6	–	16.6
Gain on derecognition of financial asset	6	6.5	–	6.5	5.8	–	5.8
Cost of sales	7	(38.1)	–	(38.1)	(34.8)	–	(34.8)
Gross profit		**49.7**	**–**	**49.7**	**37.6**	**–**	**37.6**
Administrative expenses	8	(30.3)	(1.6)	(31.9)	(25.1)	(0.8)	(25.9)
Impairment provisions	19	(4.4)	–	(4.4)	(4.6)	–	(4.6)
Profit from operations		**15.0**	**(1.6)**	**13.4**	**7.9**	**(0.8)**	**7.1**
Finance income	11	1.2	–	1.2	–	–	–
Finance expense	12	(0.4)	–	(0.4)	(2.2)	–	(2.2)
Profit before tax		**15.8**	**(1.6)**	**14.2**	**5.7**	**(0.8)**	**4.9**
Income tax charge	13	(3.3)	–	(3.3)	(1.1)	–	(1.1)
Profit after taxation		**12.5**	**(1.6)**	**10.9**	**4.6**	**(0.8)**	**3.8**
Earnings per share for profit attributable to the ordinary equity holders of the Group:							
Basic earnings per share (pence/share)	32			**8.33**			**3.45**
Diluted earnings per share (pence/share)	32			**8.04**			**3.34**

1 See note 1.6

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

Consolidated statement of other comprehensive income

	Note	Year-Ended 31 March 2022 £'m	Year-Ended 31 March 2021 (Restated[1]) £'m
Profit after taxation		**10.9**	**3.8**
Other comprehensive income/(loss):			
Items that will or may be reclassified to profit or loss			
Fair value (loss)/gain on loans and advances measured at fair value through other comprehensive income	19	(30.4)	42.0
Cash flow hedge adjustment through other comprehensive income	3	29.2	1.7
Deferred tax charge on gross movements through OCI	13	(1.7)	(8.3)
Other comprehensive (loss)/gain for the year		**(2.9)**	**35.4**
Total comprehensive income for the year		**8.0**	**39.2**

1 See note 1.6

Consolidated statement of financial position

	Note	As at 31 March 2022 £'m	As at 31 March 2021 (Restated[1]) £'m	As at 1 April 2020 (Restated[1]) £'m
Assets				
Cash and cash equivalents	18	118.2	62.2	91.6
Trade and other receivables	17	6.3	6.4	12.5
Loans and advances	19	1,209.1	1,056.6	786.4
Derivative financial asset	26	32.5	1.9	–
Property, plant and equipment	15	2.8	4.6	5.6
Net investment in sublease	2	1.2	–	–
Intangible fixed assets	16	6.1	5.5	5.3
Fair value adjustment for portfolio hedged risk asset	3/26	1.7	2.5	3.4
Deferred taxation	13	–	1.1	3.4
Total assets		**1,377.9**	**1,140.8**	**908.2**
Liabilities				
Trade and other payables	20	(48.6)	(27.1)	(33.1)
Corporation tax payable		(0.4)	(0.6)	–
Interest bearing liabilities	21	(1,211.3)	(1,040.2)	(846.2)
Derivative financial liabilities	26	–	(8.7)	(13.0)
Lease liabilities	2	(4.1)	(5.0)	(5.7)
Fair value adjustment for portfolio hedged risk liability	3/26	(9.4)	(2.4)	–
Deferred taxation	13	(6.6)	(6.9)	(0.2)
Total liabilities		**(1,280.4)**	**(1,090.9)**	**(898.2)**
Net Assets		**97.5**	**49.9**	**10.0**
Equity				
Employee share reserve		2.7	1.6	0.9
Own share reserve		**0.1**	**–**	**–**
Share capital	23	0.1	–	–
Share premium	23	55.2	17.5	17.5
Fair value reserve	24	3.8	28.8	(5.2)
Cash flow hedge reserve	24	19.8	(2.4)	(3.8)
Retained earnings	24	15.9	4.4	0.6
Total equity		**97.5**	**49.9**	**10.0**

1 See note 1.6

The financial statements on pages 75 to 118 were approved and authorised for issue by the Board of Directors on 5 July 2022 and were signed on its behalf by:

Michael Evans
Director

Consolidated statement of cash flows

Cash flow from operating activities	Note	Year-Ended 31 March 2022 £'m	Year-Ended 31 March 2021 (Restated[1]) £'m
Profit after taxation		10.9	3.8
Adjusted for:			
Depreciation of property, plant and equipment	15	0.1	0.2
Amortisation of intangible assets	16	2.6	2.2
Company share and share option schemes	25	1.1	0.7
Interest income	11	–	–
Income tax expense	13	3.3	1.1
Derivative, hedge accounting and committed facility fair value (profits)/losses	3	(1.0)	2.0
Funding line costs	12	0.2	0.2
Impairment provision		4.6	4.9
Depreciation of right of use asset	2/15	0.9	0.9
Interest expense – lease liability	2	0.5	0.6
Costs relating to market listing		1.6	–
Costs relating to abortive market listing		–	0.1
Change in working capital			
Increase in gross loans and advances	19	(187.6)	(233.0)
Decrease/(increase) in trade and other receivables	17	0.1	(0.7)
Increase in trade and other payables	20	21.3	1.1
Income taxes paid		(3.7)	–
Cash used in operating activities		**(145.1)**	**(215.9)**
Cash flow from investing activities			
Purchase of property, plant and equipment	15	(0.2)	–
Capitalised development costs	16	(3.2)	(2.4)
Interest income	11	–	–
Net cash used in investing activities		**(3.4)**	**(2.4)**
Cash flow from financing activities			
Increase in interest bearing liabilities	22	171.1	194.0
Principal elements of finance lease payments	2	(0.9)	(0.9)
Interest expense – lease liabilities	2	(0.5)	(0.7)
Proceeds from an equity share issue		40.0	–
Equity raise costs		(3.9)	–
Cash settlement of derivative losses		(1.2)	(3.1)
Funding line costs	12	(0.1)	(0.3)
Costs relating to abortive market listing		–	(0.1)
Net cash generated from financing activities		**204.5**	**188.9**
Net increase/(decrease) in cash and cash equivalents		**56.0**	**(29.4)**
Cash and cash equivalents at beginning of the period	18	62.2	91.6
Cash and cash equivalents at end of the period	18	**118.2**	**62.2**

1 See note 1.6

Interest received was £56.6 million (2021: £50.4 million) and interest paid was £25.6 million (2021: £23.9 million)

Consolidated statement of changes in equity

	Note	Own share reserve £'m	Share capital £'m	Share premium £'m	Employee share reserve £'m	Fair value reserve net of deferred tax £'m	Cash flow hedge reserve net of deferred tax £'m	Retained earnings £'m	Total £'m
Balance as at 31 March 2020 (Restated[1])		**–**	**–**	**17.5**	**0.9**	**(5.2)**	**(3.8)**	**0.6**	**10.0**
Profit after taxation		–	–	–	–	–	–	3.8	**3.8**
Fair value adjustments on loan and advances through OCI		–	–	–	–	34.0	–	–	**34.0**
Transfer of gain on derecognition of liability from OCI to retained earnings		–	–	–	–	–	–	–	**–**
Cash flow hedge adjustment through OCI		–	–	–	–	–	1.4	–	**1.4**
Employee share options schemes		–	–	–	0.7	–	–	–	**0.7**
Balance as at 31 March 2021 (Restated[1])		**–**	**–**	**17.5**	**1.6**	**28.8**	**(2.4)**	**4.4**	**49.9**
Profit after taxation		–	–	–	–	–	–	10.9	**10.9**
Fair value adjustments on loan and advances through OCI		–	–	–	–	(25.0)	–	–	**(25.0)**
Employee share scheme tax		–	–	–	–	–	–	0.6	**0.6**
Cash flow hedge adjustment through OCI		–	–	–	–	–	22.2	–	**22.2**
Employee share options schemes	25	–	–	–	1.0	–	–	–	**1.0**
Bonus issue of free shares funded by share premium		–	0.1	(0.1)	–	–	–	–	**–**
Issue of new shares on IPO		–	–	40.0	–	–	–	–	**40.0**
Cost incurred in issuing new shares		–	–	(2.2)	–	–	–	–	**(2.2)**
Own Shares held in SIP trust		0.1	–	–	–	–	–	–	0.1
Balance as at 31 March 2022		**0.1**	**0.1**	**55.2**	**2.6**	**3.8**	**19.8**	**15.9**	**97.5**

1 See note 1.6

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. More information on the Directors' assessment of going concern is set out in the Directors' report.

1.2 General Information

LendInvest plc (previously LendInvest Limited) is a public company incorporated and domiciled in the United Kingdom under the Companies Act 2006. The Group listed on AIM, a market operated by the London Stock Exchange on the 14 July 2021. The address of its registered office is given on page 58. The Company's registered number is 08146929. The principal place of business of the Group is the United Kingdom.

1.3 Basis of preparation

The financial statements have been prepared in accordance with the Companies Act 2006 and the UK-adopted International accounting standards.

On 31 December 2020, IFRS as adopted by the European Union at that date was brought into the UK law and became UK-adopted International Accounting Standards, with future changes being subject to endorsement by the UK endorsement board. LendInvest plc transitioned to UK-adopted International Accounting Standard in its consolidated financial statements on 1 April 2021. This change constitutes a change in accounting framework. However, there is no impact on recognition, measurement or disclosure in the period reported as a result of the change in framework.

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 1.21.

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 million, unless otherwise indicated.

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

IBOR reform amendments

The IASB issued a Phase 1 Amendments to IAS39, IFRS 9 and IFRS7 for IBOR Reform 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.

In prior periods the Group adopted specific amendments that provide temporary relief to the requirements of its fair value hedge accounting for a portfolio hedge of interest rate risk (macro hedge), 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.

The amendments set out triggers for when the reliefs are to end, which include the uncertainty arising from interest rate benchmark reform no longer being present.

During the year-ended 31 March 2022 the Group discontinued its fair value hedge relationships upon transfer of the hedged item and termination of the hedging instruments. The designated hedged items and hedging instruments in the new fair value hedge relationship are measured on the same replacement index, SONIA. As such the uncertainty arising from the interest rate benchmark reform with respect to hedge accounting no longer applies to the Group. The Group has not applied the phase 1 amendments for IBOR reform to the hedge results presented in these financial statements.

In August 2020 the IASB issued Phase 2 Amendments to IAS 39, IFRS 9 and IFRS 7 for IBOR Reform. The Group has adopted Phase 2 amendments which 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.

Notes to the financial statements continued

1. Basis of preparation and significant accounting policies continued

1.3 Basis of preparation continued

The Group has not applied Phase 2 amendments for the results presented for the year-ended 31 March 2022, as it does not have designated hedge accounting relationships requiring relief provided by the amendment.

For the year-ending 31 March 2022, the Group's risk exposure that is directly affected by the IBOR reform is a portfolio of BTL fixed-rate mortgages, that revert to a floating rate indexed to LIBOR after a fixed term, £622.6 million (2021: £741.7 million).

Since 2021 Q1 the Group originates BTL mortgages with a BBR reversion index. In September 2021 the FCA announced that it would permit and support the use of synthetic LIBOR with respect to legacy contracts that had proved difficult to transition. The FCA has not set a date for the withdrawal of synthetic LIBOR, however it does have the power to require the continued publication of synthetic LIBOR rates for up to 10 years. Given the FCA's decision and the absence of a regulatory or legislative requirement to transition borrowers on LIBOR linked contracts to an alternative rate, the Group is unable to place reliance on the fall-back provisions of such contracts. As such these contracts remained indexed to LIBOR and have not been transitioned. The Group will continue to review its IBOR transition related exposure in accordance with legal and regulatory requirements.

New standards and amendments not yet effective

The IASB has issued a number of amendments to reporting standards which the Group has determined as being applicable to its financial reporting. These amendments are effective in future accounting periods and the Group has not opted for any early adoption. The following amendments are effective for the period beginning on or after 1 April 2022 and are not expected to have a material impact on the Group:

- IAS 1 (Amendment to classification of liabilities as current or non-current when settlement date is uncertain)
- 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)
- IAS 12 Income Taxes (Amendments regarding deferred tax on leases)
- IFRS 9 Financial Instruments (Amendments – Inclusion of fees in the '10 per cent' test for derecognition of financial liabilities).

1.4 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.

1.5 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.

1.6 Changes in prior year figures

(i) The Group has restated its March 2021 consolidated statement of financial position in accordance with IAS 1:54(n), which requires the inclusion of liabilities and assets for current tax as a separate line item in the statement of financial position. It was previously incorrectly shown within the Trades and other payables line item. This has had no impact on the March 2021 consolidated statement of profit and loss or the March 2021 consolidated statement of cash flows.

(ii) The Group has restated its 31 March 2021 consolidated statement of profit and loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows in accordance with IFRS9 which requires a financial liability to be derecognised when it is extinguished. In March 2020, the Group purchased £7.3 million of its bonds from a third party bond holder for £5.9 million. A gain was recognised in the consolidated statement of other comprehensive income in the year ended 31 March 2020. These bonds were cancelled in April 2020 and the Group recognised a gain of £1.4 million in the consolidated statement of profit and loss in the year to 31 March 2021.

According to IFRS9, the gain in the consolidated statement of profit and loss should have been recognised in full in the financial statements for the year ended 31 March 2020. This change does not affect the retained earnings of the Group at 31 March 2021. Retained earnings at 31 March 2020 will be £1.1 million higher, the fair value reserve will be £1.1 million lower, the deferred tax liability will be £0.3 million lower and the current tax liability will be £0.3 million higher. Total equity in the statement of financial position is unaffected at 31 March 2020. Recognising the gain through the P&L in the year ended 31 March 2020 will not affect the tax position of the group at 31 March 2021, as this gain will be taxed at the same rate as it was when it was recognised through the P&L in the year ended 31 March 2021. Basic earnings per share for the year to 31 March 2021 has changed from 4.31 pence per share to 3.45 pence per share. Diluted earnings per share for the year to 31 March 2021 has changed from 4.09 pence per share 3.34 pence per share. Please see note 32 for further details.

(iii) The Group has restated its 31 March 2021 consolidated statement of profit and loss, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of financial position, and consolidated statement of cash flows. This is in accordance with IFRS9 which requires all fees and transaction costs, which are integral to the creation of a loan, to be included in the effective interest rate calculation. The Group has previously incorrectly amortised any relevant transactions costs through cost of sales and these have been reclassified to interest revenue in the consolidated statement of profit and loss. Any unamortised fees and transaction costs have previously been held in Trade and other payables, and Trade and other receivables respectively. These amounts have been transferred to Loans and Advances. This change to the Loans and Advances has had a commensurate change in the Fair Value Reserve account and this is reflected in the consolidated statement of changes in equity. Movements in the Loans and Advances, Trade and other payables, and Trade and Other Receivables accounts have also been reflected in the consolidated statement of cash flows.

The change to the consolidated statement of profit and loss is a reclassification between revenue and cost of sales and does not change the overall profitability of the Group in the prior year. The change to the consolidated statement of financial position is a reclassification.

(iv) The Group has restated its 31 March 2021 consolidated statement of profit and loss. Previously revenue earned on the investor self-select platform of £3.3 million was incorrectly shown within the Interest revenue line item in the consolidated statement of profit and loss. The nature of this revenue is aligned with fee income as the assets on which income is earned do not sit on the Group's consolidated statement of financial position. This revenue has been reclassified from Interest revenue to Fees and other income in the consolidated statement of profit and loss. This restatement is a reclassification within revenue and has no impact on the consolidated statement of financial position, consolidated statement of other comprehensive income, consolidated statement of changes in equity or consolidated statement of cash flows.

(v) The Group has restated its March 2021 consolidated statement of profit and loss in accordance with IAS 1, which requires gains from the derecognition of financial assets to be shown separately in the statement of profit and loss. These amounts were previously incorrectly shown within fee income and cost of sales. Fee income has reduced by £8.4 million, cost of sales by £2.6 million and gain on derecognition of financial assets has increased by £5.8 million. This change has no effect on the Group's profits or net assets.

Notes to the financial statements continued

1. Basis of preparation and significant accounting policies continued

1.6 Changes in prior year figures continued

Restated comparative consolidated statement of financial position

	As at 31 March 2021 £'m (Reported)	Adj (i) £'m	Adj (iii) £'m	As at 31 March 2021 £'m (Restated)
Assets				
Cash and cash equivalents	62.2	–	–	62.2
Trade and other receivables	13.1	–	(6.7)	6.4
Loans and advances	1,056.9	–	(0.3)	1,056.6
Property, plant and equipment	4.6	–	–	4.6
Intangible assets	5.5	–	–	5.5
Derivative financial assets	1.9	–	–	1.9
Investment in third parties	–	–	–	–
Fair value adjustment for portfolio hedged risk asset	2.5	–	–	2.5
Deferred taxation	1.1	–	–	1.1
Total assets	**1,147.8**	**–**	**(7.0)**	**1,140.8**
Liabilities				
Trade and other payables	(36.8)	0.6	9.1	(27.1)
Corporation tax payable	–	(0.6)	–	(0.6)
Interest bearing liabilities	(1,040.2)	–	–	(1,040.2)
Lease liabilities	(5.0)	–	–	(5.0)
Derivative financial liabilities	(8.7)	–	–	(8.7)
Fair value adjustment for portfolio hedged risk liability	(2.4)	–	–	(2.4)
Deferred taxation	(6.5)	–	(0.4)	(6.9)
Total liabilities	**(1,099.6)**	**–**	**8.7**	**(1,090.9)**
Net assets	**48.2**	**–**	**1.7**	**49.9**
Equity				
Share capital	–	–	–	–
Share premium	17.5	–	–	17.5
Employee share reserve	1.6	–	–	1.6
Fair value reserve	27.1	–	1.7	28.8
Cash flow hedge reserve	(2.4)	–	–	(2.4)
Retained earnings	4.4	–	–	4.4
Total equity	**48.2**	**–**	**1.7**	**49.9**

Restated comparative consolidated statement of profit and loss

	Year ended 31 March 2021 £'m (Reported)	Adj (ii) £'m	Adj (iii) £'m	Adj (iv) £'m	Adj (v) £'m	Year ended 31 March 2021 £'m (Restated)
Interest revenue	51.9	–	1.4	(3.3)	–	50.0
Fees and other income	27.2	–	(5.5)	3.3	(8.4)	16.6
Gain on derecognition of financial assets	–	–	–	–	5.8	5.8
Cost of sales	(41.5)	–	4.1	–	2.6	(34.8)
Gross profit	**37.6**	**–**	**–**	**–**	**–**	**37.6**
Gain on derecognition of financial liability	1.4	(1.4)	–	–	–	–
Total operating income	**39.0**	**(1.4)**	**–**	**–**	**–**	**37.6**
Administrative expenses	(25.9)	–	–	–	–	(25.9)
Impairment provisions	(4.6)	–	–	–	–	(4.6)
Profit from operations	**8.5**	**(1.4)**	**–**	**–**	**–**	**7.1**
Finance income	–	–	–	–	–	–
Finance expense	(2.2)	–	–	–	–	(2.2)
Profit before tax	**6.3**	**(1.4)**	**–**	**–**	**–**	**4.9**
Tax (charge)/credit	(1.4)	0.3	–	–	–	(1.1)
Profit for the period	**4.9**	**(1.1)**	**–**	**–**	**–**	**3.8**

Restated comparative condensed consolidated statement of comprehensive income

	Year ended 31 March 2021 £'m (Reported)	Adj (ii) £'m	Adj (iii) £'m	Year ended 31 March 2021 £'m (Restated)
Profit for the period	**4.9**	**(1.1)**	**–**	**3.8**
Other comprehensive income:				
Items that will or may be reclassified to profit or loss:				
Fair value gain on loans and advances measured at fair value through other comprehensive income	39.9	–	2.1	42.0
Cash flow hedge adjustment through other comprehensive income	1.7	–	–	1.7
Fair value adjustments on interest bearing liabilities through other comprehensive income	(1.4)	1.4	–	–
Deferred tax charge on gross movements through OCI	(7.6)	(0.3)	(0.4)	(8.3)
Other comprehensive income for the period	**32.6**	**1.1**	**1.7**	**35.4**
Total comprehensive income for the period	**37.5**	**–**	**1.7**	**39.2**

Restated balance of condensed consolidated statement of changes in equity

	Share capital £'m	Share premium	Employee Share Reserve £'m	Fair value reserve net of deferred tax £'m	Cash flow hedge reserve net of deferred tax £'m	Retained earnings £'m	Total £'m
Balance as at 1 April 2021 (Reported)	**–**	**17.5**	**1.6**	**27.1**	**(2.4)**	**4.4**	**48.2**
Adjustment (iii)	–	–	–	1.7	–	–	**1.7**
Balance as at 1 April 2021 (Restated)	**–**	**17.5**	**1.6**	**28.8**	**(2.4)**	**4.4**	**49.9**

Notes to the financial statements continued

1. Basis of preparation and significant accounting policies continued

1.6 Changes in prior year figures continued

Restated comparative condensed consolidated statement of cash flows

	Year ended 31 March 2021 £'m (Reported)	Adj (ii) £'m	Adj (iii) £'m	Year ended 31 March 2021 £'m (Restated)
Cash flows from operating activities				
Profit for the period	4.9	(1.1)	–	3.8
Adjusted for:				
Depreciation of property, plant and equipment	0.2	–	–	0.2
Amortisation of intangible fixed assets	2.2	–	–	2.2
Share option scheme	0.7	–	–	0.7
Finance income	–	–	–	–
Income tax expense	1.4	(0.3)	–	1.1
Derivative unrealised (gain)/loss and hedge accounting	2.0	–	–	2.0
Funding line costs	0.2	–	–	0.2
Impairment provision	4.9	–	–	4.9
Depreciation of right of use asset	0.9	–	–	0.9
Interest expense – lease liability	0.6	–	–	0.6
Costs relating to abortive market listing	0.1	–	–	0.1
Cancellation of interest bearing liabilities	(7.3)	7.3	–	–
Redemption of interest bearing liabilities	5.9	(5.9)	–	–
Change in working capital				
Increase in loans and advances	(235.4)	–	2.4	(233.0)
Increase in trade and other receivables	(7.3)	–	6.6	(0.7)
Increase in trade and other payables	10.1	–	(9.0)	1.1
Income tax refund received	–			–
Net cash outflow from operations	**(215.9)**	**–**	**–**	**(215.9)**
Cash flow from investing activities				
Capitalisation of internally developed software	(2.4)	–	–	(2.4)
Net cash outflow from investing activities	**(2.4)**	**–**	**–**	**(2.4)**
Cash flow from financing activities				
Increase in interest bearing liabilities	194.0	–	–	194.0
Principal elements of finance lease payments	(0.9)	–	–	(0.9)
Interest expense of right of use asset	(0.7)	–	–	(0.7)
Cash settlement of derivative losses	(3.1)	–	–	(3.1)
Funding line costs	(0.3)	–	–	(0.3)
Costs relative to abortive market listing	(0.1)	–	–	(0.1)
Net cash outflow from financing activities	**188.9**	**–**	**–**	**188.9**
Net decrease in cash and cash equivalents	**(29.4)**	**–**	**–**	**(29.4)**
Cash and cash equivalents at beginning of the period	91.6	–	–	91.6
Cash and cash equivalents at end of the period	**62.2**	**–**	**–**	**62.2**

Restated opening balance of condensed consolidated statement of changes in equity

	Share capital £'m	Share premium	Employee Share Reserve £'m	Fair value reserve net of deferred tax £'m	Cash flow hedge reserve net of deferred tax £'m	Retained earnings £'m	Total £'m
Balance as at 1 April 2020 (Reported)	**–**	**17.5**	**0.9**	**(4.1)**	**(3.8)**	**(0.5)**	**10.0**
Adjustment (ii)	–	–	–	(1.1)	–	1.1	–
Balance as at 1 April 2020 (Restated)	**–**	**17.5**	**0.9**	**(5.2)**	**(3.8)**	**0.6**	**10.0**

Restated opening comparative consolidated statement of financial position

	As at 31 March 2020 £'m (Reported)	Adj (ii) £'m	As at 31 March 2020 £'m (Restated)
Assets			
Cash and cash equivalents	91.6	–	91.6
Trade and other receivables	12.5	–	12.5
Loans and advances	786.4	–	786.4
Property, plant and equipment	5.6	–	5.6
Intangible assets	5.3	–	5.3
Fair value adjustment for portfolio hedged risk asset	3.4	–	3.4
Deferred taxation	3.4	–	3.4
Total assets	**908.2**	**–**	**908.2**
Liabilities			
Trade and other payables	(32.8)	(0.3)	(33.1)
Interest bearing liabilities	(846.2)	–	(846.2)
Lease liabilities	(5.7)	–	(5.7)
Derivative financial liabilities	(13.0)	–	(13.0)
Deferred taxation	(0.5)	0.3	(0.2)
Total liabilities	**(898.2)**	**–**	**(898.2)**
Net assets	**10.0**	**–**	**10.0**
Equity			
Share capital	–	–	–
Share premium	17.5	–	17.5
Employee share reserve	0.9	–	0.9
Fair value reserve	(4.1)	(1.1)	(5.2)
Cash flow hedge reserve	(3.8)	–	(3.8)
Retained earnings	(0.5)	1.1	0.6
Total equity	**10.0**	**–**	**10.0**

Notes to the financial statements continued

1. Basis of preparation and significant accounting policies continued

1.7 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.

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

The Group operates a share incentive plan ("SIP") trust and an employee benefit trust ("EBT"). These trusts are accounted for under IFRS 10 and the assets and liabilities are consolidated into the Group's balance sheet and shares held by the trusts in the Group are presented as a deduction from equity.

1.8 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. Under the effective interest rate method fees earned from borrowers and transaction costs incurred which are integral to the creation of a loan such as arrangement, valuation and broker fees 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:

Revenue description within scope of IFRS 15	Perfomance obligation	Timing and satisfaction of performance obligation	Allocation of transaction price
Separate account partnership fees	Originate and transfer BTL loans to customer	Transfer of loans to customer	Allocated to each loan transferred (& of loan principal)
Servicing fees	Provide administrative loan servicing to customers	Series of distinct services with a similar pattern of transfer over time	Allocated to distinct services transferred forming one performance obligation (accrued monthly in arrears)
Share creation fees	To source and introduce new investment capital to customer	Introduction of new funds to customer	Allocated according to value of new capital (% of new capital)
Management fees	To provide management and administration of loans held by customers	Series of distinct services with a similar pattern of transfer over time	Variable consideration on % of NAV (under management) and accrued in arrears monthly
Performance fees	To provide investment advisory services in the interest of achieving investment objectives	Performance obligations satisfied when increase in NAV (under management) exceeds hurdle rate	Variable consideration accrued when hurdle rate is exceeded

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.

1.9 Fees and commission paid

Fees and commission are recognised as follows:

- Origination fees, representing valuation and broker fees, are considered as incremental costs that would not have been incurred if the loan had not been originated. Fees relating to loans that are held within the Group's loans and advances are recognised using the effective interest rate method whereby amortisation of the cost is recorded in interest on loans and advances as detailed in note 1.8. Origination fees incurred on loans that are sold to third parties are recognised in full at the point of sale in the consolidated statement of profit and loss.
- Funding line amortisation of initial funding line set up costs. These are recognised evenly over the life of the facility.
- 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.

1.10 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:

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

1.11 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 that meet the definition of an intangible asset, i.e. identifiable, controlled by the Group and from which future economic benefits will flow, are initially recognised at cost. Depreciation is provided, so as to write off their carrying value over their expected useful economic life at the following rates:

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

1.12 Deposit interest receivable

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

1.13 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).

1.14 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.

1.15 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.

Notes to the financial statements continued

1. Basis of preparation and significant accounting policies continued

1.15 Financial Instruments continued

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 19.

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

(iii) At fair value through profit or loss

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

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

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

Financial liabilities

(i) At amortised cost

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

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

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

(ii) At fair value through profit or loss

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

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

Derivatives

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

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

De-recognition

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

1.16 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.

The costs of equity transactions are accounted for as a deduction from equity to the extent they are incremental costs directly attributable to the equity transactions that otherwise would have been avoided. Transaction costs that relate jointly to an equity transaction and other transactions are allocated using a basis of allocation that is rational and consistent with similar transactions, with the costs allocated to other transaction reported through the consolidated statement of profit and loss.

1.17 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 profit and loss 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 profit and loss over the remaining vesting period.

1.18 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.

1.19 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.

1.20 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.

1.21 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 19 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.

Notes to the financial statements continued

1. Basis of preparation and significant accounting policies continued

Estimates and assumptions

Fair value measurement

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

Level 1: Quoted prices in active markets for identical items.

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

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

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

Expected Credit Loss Calculation

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

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

The central scenario represents management's current view of the most likely economic outturn. However, significant uncertainty around the level and trajectory of UK inflation and the subsequent impacts on the wider economy has led management to increase the downside weighting since the prior year ended 31 March 2021. The following weightings of the different scenarios were used across both Buy-to-Let and short term ECL models for the period ended 31 March 2022:

- 45%/50%/5% to the central, downside and upside scenarios.

The former weightings used at 31 March 2021 were:

- Buy-To-Let ECL model – 40%/40%/20% to the central, downside and upside scenarios.
- Short-Term Lending ECL models – 40%/ 0%/10% to the central, downside and upside scenarios.

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

Sensitivity Analysis 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 £0.8 million.
- A 10% increase in the forced sale discount. This would increase the ECL by £1.9 million.

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 schemes. The assumptions for estimating the fair value for share based payment transactions are disclosed in note 25.

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.

Sublease

In December 2022 the Group entered into an arrangement to sublease a proportion of its property lease.

The sublease is classified as a finance lease with reference to the right of use asset from the head lease. The Group has derecognised the right of use asset (£1.2 million) relating to the head lease transferred to the sublessee and recognised the net investment in the sublease (£1.2 million). The net of these values (a gain of £11k) is recognised in the consolidated statement of profit and loss for the period.

The lease liability relating to the head lease is unchanged by the new sublease arrangement. The changes to the Group's right of use asset as a result of the sublease are included in the table below. The Group's net investment in the sublease is included in the consolidated statement of financial position as a separate line item and disaggregated in note 17.

	Right-of-use leasehold property £'m	Lease liabilities £'m
As at 1 April 2021	**4.3**	**5.0**
Additions	0.2	–
Derecognition of ROU asset transferred to Sublessee	(1.2)	–
Depreciation expense	(0.9)	–
Interest expense	–	0.5
Payments – Interest	–	(0.5)
Payments – Principal	–	(0.9)
As at 31 March 2022	**2.4**	**4.1**

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

Year ended 31 March 2022	Administrative expenses £'m	Interest expense £'m	Total £'m
Depreciation expense of right-of-use-asset	0.9	–	**0.9**
Interest expense on lease liabilities	–	0.5	**0.5**
Total recognised in the statement of profit and loss	**0.9**	**0.5**	**1.4**

Notes to the financial statements continued

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 SONIA 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 or 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 2022 £'m	Year ended 31 March 2021 £'m
Gains from fair value hedge accounting	0.1	(0.2)
Gains from cash flow hedge accounting	–	–
Fair value gains from other derivatives[2]	1.1	–
Total	**1.2**	**(0.2)**

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

2 Other 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 SONIA 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 2022

Hedged item balance sheet	Hedging Instrument	Risk Category	Hedged Item[1] £'m	Instrument[1] £'m	Ineffectiveness £'m
Loans to customers	Interest rate swaps	Interest rate: SONIA	(8.7)	8.8	0.1

Year ended 31 March 2021

Hedged item balance sheet	Hedging Instrument	Risk Category	Hedged Item[1] £'m	Instrument[1] £'m	Ineffectiveness £'m
Loans to customers	Interest rate swaps	Interest rate: SONIA	(2.4)	2.2	(0.2)

1 Change in fair value used in determining hedge ineffectiveness.

Notes to the financial statements continued

3. Derivatives and hedge accounting continued

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 2022

Hedged item balance sheet classification	Hedging Instrument	Risk Category	Hedged Item[1] £'m	Instrument[1] £'m	Hedge ineffectiveness recognised in income statement £'m	Net amounts deferred to other comprehensive income £'m
Interest bearing liabilities	Interest rate swaps	Interest rate: SONIA	(27.0)	27.0	–	27.0

Year ended 31 March 2021

Hedged item balance sheet classification	Hedging Instrument	Risk Category	Hedged Item[1] £'m	Instrument[1] £'m	Hedge ineffectiveness recognised in income statement £'m	Net amounts deferred to other comprehensive income £'m
Interest bearing liabilities	Interest rate swaps	Interest rate: SONIA	0.5	(0.5)	–	(0.5)

1 Change in fair value used in determining hedge ineffectiveness.

£2.2 million of derivative fair value losses deferred through other comprehensive income in prior periods were recycled through cost of sales in the consolidated statement of profit and loss.

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 2022			As at 31 March 2021		
Macro fair value hedge:	Notional Amount £'m	Fair value – Assets £'m	Fair value – Liabilities £'m	Notional Amount £'m	Fair value – Assets £'m	Fair value – Liabilities £'m
SONIA indexed interest rate swaps	289.0	9.3	–	221.9	1.9	0.1
Cash flow hedge:						
SONIA indexed interest rate swaps	714.9	23.2	–	496.0	–	(8.8)
Not subject to hedge accounting:						
SONIA indexed interest rate swaps	–	–	–	–	–	–
Total	**1,003.9**	**32.5**	**–**	**717.9**	**1.9**	**(8.7)**

3.6 Contractual maturity of hedging instruments notional amounts

As at 31 March 2022 Macro fair value hedge:	Less than one year £'m	Between one and five years £'m	Total £'m
SONIA indexed interest rate swaps	–	289.0	**289.0**
Cash flow hedge:			
SONIA indexed interest rate swaps	45.2	670.5	**715.7**
Total	**45.2**	**959.5**	**1,004.7**

As at 31 March 2021 Macro fair value hedge:	Less than one year £'m	Between one and five years £'m	Total £'m
SONIA indexed interest rate swaps	1.2	220.7	**221.9**
Cash flow hedge:			
SONIA indexed interest rate swaps	59.2	436.8	**496.0**
Not subject to hedge accounting:			
SONIA indexed interest rate swaps	–	–	–
Total	**60.4**	**657.5**	**717.9**

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:

Assets	31 March 2022 £'m	31 March 2021 £'m
Loans and advances	1,209.1	1,056.6
Trade and other receivables	3.6	4.2
Cash and cash equivalents	118.2	62.2
	1,330.9	**1,123.0**

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 2022 and 31 March 2021 approximates the carrying value. Further details regarding cash and cash equivalents can be found in note 18. 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 for some short term loans. 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.

Notes to the financial statements continued

4. Financial risk management continued

Risk factors continued

(ii) Liquidity risk management

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

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

As at 31 March 2022 Financial assets	Carrying amount £'m	Gross nominal inflow/ (outflow) £'m	Amount due in less than 6 months £'m	Amount due 6 – 12 months £'m	Amount due between one and five years £'m	Amount due after five years £'m
Cash and cash equivalents	118.2	118.2	118.2	–	–	–
Trade and other receivables	3.6	3.6	2.4	–	1.2	–
Loans and advances	1,209.1	1,892.0	96.0	99.4	188.3	1,508.3
Derivative financial asset	32.5	32.5	1.6	4.5	26.4	–
	1,363.4	**2,046.3**	**218.2**	**103.9**	**215.9**	**1,508.3**
Financial liabilities						
Trade and other payables	(48.1)	(48.1)	(48.1)	–	–	–
Interest bearing liabilities	(1,211.3)	(1,257.2)	(258.6)	(12.8)	(985.8)	–
Derivative financial liability	–	–	–	–	–	–
Lease liability	(4.1)	(4.1)	(0.5)	(0.5)	(3.1)	–
	(1,263.5)	**(1,309.4)**	**(307.2)**	**(13.3)**	**(988.9)**	**–**

Loans and advances greater than five years are largely funded through the Group's three securitisation vehicles. These have a final maturity of June 2051, June 2052 and June 2053, in line with the corresponding loan maturities. It is the Group's expectation to exercise the option to repurchase the underlying loan portfolios to redeem the liabilities, and to re-securitise them by September 2022, June 2023 and June 2026 respectively. As a result, they have been disclosed in the table above with a maturity in line with these dates.

As at 31 March 2021 Financial assets	Carrying amount £'m	Gross nominal inflow/ (outflow) £'m	Amount due in less than 6 months £'m	Amount due within one year £'m	Amount due between one and five years £'m	Amount due after five years £'m
Cash and cash equivalents	62.2	62.2	62.2	–	–	–
Trade and other receivables	4.2	4.2	3.0	–	1.2	–
Loans and advances	1,056.6	1,543.0	120.5	160.1	129.3	1,133.1
Derivative financial asset	1.9	1.9	–	–	1.9	–
	1,124.9	**1,611.3**	**185.7**	**160.1**	**132.4**	**1,133.1**
Financial liabilities						
Trade and other payables	(26.6)	(26.6)	(26.6)	–	–	–
Interest bearing liabilities	(1,040.2)	(1,093.5)	(14.6)	(14.9)	(1,064.0)	–
Derivative financial liability	(8.7)	(8.7)	(2.7)	(2.5)	(3.5)	–
Lease liability	(5.0)	(5.0)	(0.4)	(0.5)	(4.1)	–
	(1,080.5)	**(1,133.8)**	**(44.3)**	**(17.9)**	**(1,071.6)**	**–**

(iii) Interest rate risk management

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

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

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

(iv) Interest rate sensitivity

The sensitivity analysis below has been determined based on the exposure to interest rates as at the reporting date. 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)	
31 March 2022	**100 bp increase £'m**	**100 bp decrease £'m**	**100 bp increase £'m**	**100 bp decrease £'m**
Interest rate swaps	20.7	(2.7)	39.6	6.1
31 March 2022				
Interest rate swaps	9.3	(6.0)	(2.1)	(15.3)

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 ("CODM") 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.

Notes to the financial statements continued

5. Segmental analysis continued

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 2022 Statement of profit and loss information	Short-term lending £'m	Buy-to-Let lending £'m	Total £'m
Interest revenue	24.7	33.9	58.6
Fee and other income	13.6	9.1	22.7
Gain on derecognition of financial asset	3.9	2.6	6.5
Segment Revenue	**42.2**	**45.6**	**87.8**
Interest expense	(16.4)	(13.6)	(30.0)
Cost of sales (other)	(3.1)	(5.0)	(8.1)
Impairment Provision	(4.6)	0.2	(4.4)
Segment profit	**18.1**	**27.2**	**45.3**
Operating expenses	–	–	(31.9)
Profit from operations	**–**	**–**	**13.4**
Finance income	–	–	1.2
Finance expense	–	–	(0.4)
Profit before tax	**–**	**–**	**14.2**

Year Ended 31 March 2021 Statement of profit and loss information	Short-term lending £'m	Buy-to-Let lending £'m	Total £'m
Interest revenue	26.5	23.5	50.0
Fee and other income	15.3	1.3	16.6
Gain on derecognition of financial asset	1.5	4.3	5.8
Segment Revenue	**43.3**	**29.1**	**72.4**
Interest expense	(17.6)	(11.3)	(28.9)
Cost of sales (other)	(3.1)	(2.8)	(5.9)
Impairment provision	(4.1)	(0.5)	(4.6)
Segment profit	**18.5**	**14.5**	**33.0**
Operating expenses	–	–	(25.9)
Profit from operations	**–**	**–**	**7.1**
Finance expense	–	–	(2.2)
Profit before tax	**–**	**–**	**4.9**

As at 31 March 2022 Statement of financial position information	Short-term lending £'m	Buy-to-Let lending £'m	Total £'m
Assets			
Loans and advances	186.5	1,022.6	1,209.1
Total segment assets			**1,209.1**
Cash and cash equivalents			118.2
Trade and other receivables			6.3
Derivative financial asset			32.5
Property, plant and equipment			2.8
Net investment in sublease			1.2
Intangible fixed assets			6.1
Fair value adjustment for portfolio hedged risk asset			1.7
Deferred taxation			–
Total assets			**1,377.9**
Liabilities			
Interest bearing liabilities	(193.3)	(1,018.0)	(1,211.3)
Total segment liabilities			**(1,211.3)**
Trade and other payables			(48.7)
Corporation tax payable			(0.4)
Derivative financial liabilities			–
Lease liabilities			(4.1)
Fair value adjustment for portfolio hedged risk liability			(9.4)
Deferred taxation			(6.6)
Total liabilities			**(1,280.5)**

Notes to the financial statements continued

5. Segmental analysis continued

As at 31 March 2021 Statement of financial position information	Short-term lending £'m	Buy-to-Let lending £'m	Total £'m
Assets			
Loans and advances	282.2	774.4	1,056.6
Total segment assets			**1,056.6**
Cash and cash equivalents			62.2
Trade and other receivables			6.4
Derivative financial asset			1.9
Property, plant and equipment			4.6
Net investment in sublease			–
Intangible fixed assets			5.5
Fair value adjustment for portfolio hedged risk asset			2.5
Deferred taxation			1.1
Total assets			**1,140.8**
Liabilities			
Interest bearing liabilities	(304.6)	(735.6)	(1,040.2)
Total segment liabilities			**(1,040.2)**
Trade and other payables			(27.1)
Corporation tax payable			(0.6)
Derivative financial liabilities			(8.7)
Lease liabilities			(5.0)
Fair value adjustment for portfolio hedged risk liability			(2.4)
Deferred taxation			(6.9)
Total liabilities			**(1,090.9)**

6. Revenue

	Year Ended 31 March 2022 £'m	Year Ended 31 March 2021 (Restated[1]) £'m
Interest on loans and advances	58.6	50.0
Origination and other loan fees recognised under IFRS 15	7.4	3.6
Asset management, fund and servicing fees	15.3	13.0
Gain on derecognition of financial asset	6.5	5.8
	87.8	**72.4**

1 See note 1.6

Revenue is recognised with reference to the accounting policy detailed in note 1.8.

7. Cost of sales

	Year Ended 31 March 2022 £'m	Year Ended 31 March 2021 (Restated[1]) £'m
Interest expense	(30.0)	(28.9)
Funding line costs	(3.5)	(3.7)
Origination costs	(3.1)	(1.1)
Asset management and fund fees	(1.5)	(1.1)
	(38.1)	**(34.8)**

1 See note 1.6

Cost of sales is recognised with reference to the accounting policy detailed in note 1.9.

8. Profit from operations

Profit from operations has been stated after charging:

	Year Ended 31 March 2022 £'m	Year Ended 31 March 2021 (Restated[1]) £'m
Wages and salaries	15.8	13.0
Depreciation and amortisation	2.8	2.4
Depreciation of right of use asset	0.8	0.9
Interest expense – lease liabilities	0.5	0.6
Fees payable to the auditors for the audit of the financial statements	0.5	0.4
Audit related assurance services	0.1	0.1
Fees payable to the auditors for other assurance services	–	–
Share-based payment charge	1.2	0.7
IPO Costs	1.6	–
Restructuring Costs	–	0.8

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

Non-recurring items

The Group has recorded £1.6 million of incurred listings in the consolidated statement of profit and loss for the year ended 31 March 2022. Costs relating to a restructuring programme totalling £0.8 million were recorded during the prior period. Both are aggregated as part of administrative expenses but are deemed as infrequent or non-recurring items by management. The items have been highlighted in the consolidated statement of profit and less and recognised as exceptional operational expenditure to aid users in making an informed assessment of the Group's revenue generating unit.

9. Employee benefit expense

Employee benefit expense (including directors) comprises:

	Year Ended 31 March 2022 £'m	Year Ended 31 March 2021 (Restated[1]) £'m
Wages and salaries	15.6	13.0
Defined contribution pension cost	0.5	0.4
Share-based payment charge	1.2	0.7
Social security contributions and similar taxes	1.9	1.5
	19.2	**15.6**

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

Notes to the financial statements continued

10. Number of employees and key management compensation

The average monthly number of employees during the year was:

	Year Ended 31 March 2022 Number	Year Ended 31 March 2021 Number
Technology and product	45	39
Operations and administration	112	111
Sales and marketing	30	31
	187	**181**

Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. Key management is defined as the directors of the company listed on page 34 to 35.

	Year Ended 31 March 2022 £'m	Year Ended 31 March 2021 £'m
Salary, short-term benefits and pension	1.3	0.8
Equity-based compensation	0.1	–
	1.4	**0.8**

The highest paid director in the year was paid £413,129 (2021: £295,468). Further details on Directors' remuneration are disclosed in the Remuneration Report in the Corporate Governance section of the Annual Report and Accounts on pages 49 to 57.

11. Finance 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 2022 £'m	Year Ended 31 March 2021 £'m
Fair value gains from derivatives and hedge accounting	1.2	–
Interest on bank deposits	–	–
	1.2	**–**

12. Finance expense

	Year Ended 31 March 2022 £'m	Year Ended 31 March 2021 £'m
Fair value losses from derivatives and hedge accounting	–	(0.1)
Hedging break costs	–	(1.8)
Fair value movements on undrawn committed loan facility through P&L[1]	(0.2)	(0.1)
Other funding costs	(0.2)	(0.2)
	(0.4)	**(2.2)**

1 Fair 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 was sold to a third party in the year (2021: £20.4 million).

13. Taxation on profit on ordinary activities

	Year Ended 31 March 2022 £'m	Year Ended 31 March 2021 £'m
Tax expense		
Current tax:		
Current tax on profit for the year	3.0	0.4
Adjustments in respect of prior periods	0.6	–
Foreign taxes	–	–
Total current tax charge	**3.6**	**0.4**
Deferred tax:		
Origination and reversal of temporary differences	(0.2)	0.5
Adjustments in respect of prior periods	(0.1)	0.2
Total deferred tax (credit)/charge	**(0.3)**	**0.7**
Total tax charge	**3.3**	**1.1**
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 before tax	14.2	4.9
Profit before tax multiplied by the standard rate of corporation tax of 19%	2.7	0.9
Tax effects of:		
Research and development tax credit[1]	(0.1)	–
IPO costs not deductible	0.2	
Over provision of current tax	0.6	–
Over provision of deferred tax	(0.1)	0.2
Total tax charge	**3.3**	**1.1**

1 The tax provision for the period 31 March 2022 includes a deduction for R&D tax credits of £3.0 million (2021: £2.3 million).

Factors that may affect future tax charges

In March 2021, it was announced in the 2021 Budget that the main rate of UK corporation tax will rise to 25% from 1 April 2023. The proposal to increase the rate to 25% was substantively enacted in May 2021.

Deferred taxation

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

	Year Ended 31 March 2022 £'m	Year Ended 31 March 2021 (Restated[1]) £'m
Deferred tax assets	1.3	1.1
Deferred tax liabilities	(7.9)	(6.9)
Net deferred tax liabilities	**(6.6)**	**(5.8)**

Given the corporate tax rate change to 25% from 1 April 2023, the Group has valued its deferred tax liability in respect of fair value gains through OCI at 25% as they are very unlikely to unwind through the P&L before year ending 31 March 2024. These liabilities and assets were previously held at 19% so there is a deferred tax rate change adjustment through OCI in the period to 31 March 2022. There is uncertainty over when the remainder of the net deferred tax asset will be reclassified to current tax, therefore the Group has taken the prudent position to minimise the value of the asset and hold at 19%.

Notes to the financial statements continued

13. Taxation on profit on ordinary activities continued

Deferred taxation continued

The movements during the year are analysed as follows:

	Year Ended 31 March 2022 £'m	Year Ended 31 March 2021 (Restated[1]) £'m
Net deferred tax (liabilities)/assets at the beginning of the year	**(5.8)**	**3.2**
Credit/(charge) to the statement of profit and loss for the year	0.2	(0.5)
Credit/(charge) to other comprehensive income	0.2	(8.3)
Rate change through other comprehensive income	**(1.9)**	**–**
Credit to equity	0.6	–
Over provision of deferred tax	0.1	(0.2)
Net deferred tax liabilities at the end of the year	**(6.6)**	**(5.8)**

1 See note 1.6

Category of deferred tax

2022	Opening Balance (Restated[1]) £'m	Credit to equity £'m	Credit to the statement of profit and loss – CY £'m	(Charge) /Credit through OCI – CY £'m	Credit to the statement of profit and loss – PY £'m	Rate change through OCY – CY £'m	Closing Balance £'m
Property, plant and equipment	(0.1)	–	–	–	0.1	–	**–**
Share and share option schemes	0.3	0.6	0.2	–	–	–	**1.1**
IFRS 16 transitional adjustment	0.1	–	–	–	–	–	**0.1**
Fair value on loans and advances	(6.8)	–	–	5.8	–	(0.3)	**(1.3)**
Cash flow hedge adjustment	0.6	–	–	(5.6)	–	(1.6)	**(6.6)**
IFRS 9 ECL Provision	0.1	–	–	–	–	–	**0.1**
	(5.8)	**0.6**	**0.2**	**0.2**	**0.1**	**(1.9)**	**(6.6)**

1 See note 1.6

2021	Opening Balance £'m	Credit/ (charge) to equity £'m	(Charge)/ Credit to the statement of profit and loss – CY £'m	(Charge) /Credit through OCI – CY £'m	(Charge)/ Credit to the statement of profit and loss – PY £'m	Closing Balance (Restated[1]) £'m
Property, plant and equipment	(0.1)	–	–	–	–	**(0.1)**
Share and share option schemes	0.2	–	0.1	–	–	**0.3**
IFRS 16 transitional adjustment	0.1	–	–	–	–	**0.1**
Fair value on loans and advances	1.2	–	–	(8.0)	–	**(6.8)**
Fair Value on interest bearing liabilities	-	–	–	–	–	**–**
Cash flow hedge adjustment	0.9	–	–	(0.3)	–	**0.6**
IFRS 9 ECL Provision	0.1	–	–	–	–	**0.1**
Losses	0.8	–	(0.6)	–	(0.2)	**–**
	3.2	**–**	**(0.5)**	**(8.3)**	**(0.2)**	**(5.8)**

1 See note 1.6

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.

14. Dividends

The Company paid no dividends during the year (2021: £nil).

15. Property, plant and equipment

The Group and Company

Cost	Computer equipment £'m	Furniture and fittings £'m	Leasehold improvements £'m	Right of use asset	Total
Balance as at 31 March 2020	**0.6**	**0.4**	**0.3**	**6.1**	**7.4**
Additions	–	–	–	0.3	0.3
Balance as at 31 March 2021	**0.6**	**0.4**	**0.3**	**6.4**	**7.7**
Additions	0.1	–	0.1	–	0.2
Disposals	(0.4)	(0.3)	–	–	(0.7)
Derecognition of ROU asset	–	–	–	(1.2)	(1.2)
Balance as at 31 March 2022	**0.3**	**0.1**	**0.4**	**5.2**	**6.0**

Accumulated depreciation and impairment	Computer equipment £'m	Furniture and fittings £'m	Leasehold improvements £'m	Right of use asset	Total
Balance as at 31 March 2020	**0.4**	**0.3**	**0.1**	**0.9**	**1.7**
Charge for the year	0.1	0.1	–	1.0	1.2
Balance as at 31 March 2021	**0.5**	**0.4**	**0.1**	**1.9**	**2.9**
Charge for the year	0.1	–	–	0.9	1.0
Disposals	(0.4)	(0.3)	–	–	(0.7)
Balance as at 31 March 2022	**0.2**	**0.1**	**0.1**	**2.8**	**3.2**
Net carrying value as at 31 March 2022	**0.1**	**–**	**0.3**	**2.4**	**2.8**
Net carrying value as at 31 March 2021	0.1	–	0.2	4.3	4.6

Lease commitment

Future minimum payments under non-cancellable leases

Premises	Year Ended 31 March 2022 £'m	Year Ended 31 March 2021 £'m
Due within a year	1.0	1.3
Due between 1-5 years	3.1	4.6
Due later than 5 years	–	–
	4.1	**5.9**

The Group has 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.

Notes to the financial statements continued

16. Intangibles

During the year ended 31 March 2022, the Group assessed the requirements of IAS 38 and identified that it had incurred expenditure on intangible assets that met the criteria for capitalisation.

Premises	Software licences £'m	Internally developed Software £'m	Total £'m
Balance as at 31 March 2020	**0.7**	**6.4**	**7.1**
Additions	–	2.4	2.4
Balance as at 31 March 2021	**0.7**	**8.8**	**9.5**
Additions	–	3.2	3.2
Balance as at 31 March 2022	**0.7**	**12.0**	**12.7**

Accumulated amortisation and impairment	Software licences £'m	Internally developed Software £'m	Total £'m
Balance as at 31 March 2020	**0.3**	**1.5**	**1.8**
Charge for the year	0.1	2.1	2.2
Balance as at 31 March 2021	**0.4**	**3.6**	**4.0**
Charge for the year	0.2	2.4	2.6
Balance as at 31 March 2022	**0.6**	**6.0**	**6.6**
Net carrying value as at 31 March 2022	**0.1**	**6.0**	**6.1**
Net carrying value as at 31 March 2021	0.3	5.2	5.5

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.

17. Trade and other receivables

Due within one year	Year Ended 31 March 2022 £'m	Year Ended 31 March 2021 (Restated[1]) £'m
Trade receivables	1.3	2.3
Other receivables:		
– Prepayments and accrued income	2.7	2.2
– Corporate tax receivable	–	–
– Other receivables	1.1	0.7
Due after one year		
Rent deposit	1.2	1.2
	6.3	**6.4**

1 See note 1.6

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.

18. Cash and cash equivalents

	Year Ended 31 March 2022 £'m	Year Ended 31 March 2021 (Restated[1]) £'m
Cash at bank and in hand	99.3	57.3
Trustees' account	18.9	4.9
	118.2	**62.2**

Trustees' account relates to monies held on account for the benefit of our investors in the Self-Select Platform, prior to them either investing in loans or withdrawing their capital. 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 20).

19. Loans and advances

	Year Ended 31 March 2022 £'m	Year Ended 31 March 2021 (Restated[1]) £'m
Gross loans and advances	1,214.9	1,029.3
ECL provision	(11.0)	(8.5)
Fair value adjustment[2]	5.2	35.8
Loans and advances	**1,209.1**	**1,056.6**

1 See note 1.6

2 Fair 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 decrease is due to an increase between reporting dates in market discount rates used in calculating the fair value of the Group's Buy-to-Let loans. Key inputs into the market discount rates used in the Group's Buy-to-Let fair value calculation are forward looking SONIA rates and market Buy-to-Let asset backed security spreads which both increased steeply in the latter part of the financial year causing the increased discount rates and a lower fair value adjustment. This has been offset by mark-to-market increases in the Group's interest rate swaps.

ECL provision

Movement in the period	£'m
Under IFRS 9 at 1 April 2021	**(8.5)**
Additional provisions made during the period[1]	(5.5)
Utilised in the period[2]	3.0
Under IFRS 9 at 31 March 2022	**(11.0)**

1 The ECL provision of £11.0 million 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 £5.5 million (2021: £5.3 million). This includes the £4.4 million (2021: £4.6 million) 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 £1.1 million (2021: £0.7 million).

2 Loans 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 £9.0 million (2021: £12.2 million).

Notes to the financial statements continued

19. Loans and advances continued

ECL provision continued

Movement in the period	£'m
Under IFRS 9 at 1 April 2020	**(6.0)**
Additional provisions made during the period[1]	(5.4)
Utilised in the period[2]	2.9
Under IFRS 9 at 31 March 2021	**(8.5)**

1 The ECL provision of £8.5 million 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 £5.3 million (2020: £5.1 million). This includes the £4.6 million (2020: £4.3 million) 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 £0.7 million (2020: £0.8 million).

2 Loans 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 £12.2 million (2020: £10.9 million).

Analysis of loans and advances by stage

Year Ended 31 March 2022	Stage 1 £'m	Stage 2 £'m	Stage 3 £'m	POCI £'m	Total £'m
Gross loans and advances	1,025.7	153.4	35.8	–	**1,214.9**
ECL provision	(0.2)	(0.9)	(9.9)	–	**(11.0)**
Fair value adjustment	3.6	1.0	0.6	–	**5.2**
Loans and advances	**1,029.1**	**153.5**	**26.5**	**–**	**1,209.1**

The maximum LTV on stage 1 loans is 82%. The maximum LTV on stage 2 loans is 119%. The maximum LTV on Stage 3 loans is 168% and the total value of collateral (capped at the gross loan value) held on stage 3 loans is £31.4 million.

Year Ended 31 March 2021 (Restated[1])	Stage 1 £'m	Stage 2 £'m	Stage 3 £'m	POCI £'m	Total £'m
Gross loans and advances	775.9	221.1	32.3	–	**1,029.3**
ECL provision	(0.7)	(1.7)	(6.1)	–	**(8.5)**
Fair value adjustment	29.1	6.3	0.4	–	**35.8**
Loans and advances	**804.3**	**225.7**	**26.6**	**–**	**1,056.6**

1 See note 1.6

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 £30.7 million.

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 and 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 provision 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. However, significant uncertainty around the level and trajectory of UK inflation and the subsequent impacts on the wider economy has led management to increase the downside weighting from the prior year ended 31 March 2021. The following weightings of the different scenarios were used across both Buy-to-Let and short term ECL models for the period ended 31 March 2022:
- 45%/50%/5% to the central, downside and upside scenarios.

The former weightings used at 31 March 2021 were:
- Buy-to-Let 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.

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 relies has been amended in the period ended 31 March 2022 to better identify higher risk borrowers. The models for the period ended 31st March 2021 graded accounts on an 18 point scale, where bands 1-17 reflected increasing default risk and band 18 reflected 'Default'. The banding was based on the borrower's behavioural score. The grading model was revised in the period ended 31 March 2022 and continues to use the underlying borrower's behavioural score, however, the number of bands is reduced to 10 with bands 1-9 reflecting increasing default risk and 10 reflecting 'Default'. This ensures more accurate identification of higher risk exposures and supports more efficient portfolio management. All other major inputs into the models are consistent with the models for the period ended 31 March 2021.

All macroeconomic data inputs have been updated as at 31 March 2022.

Notes to the financial statements continued

19. Loans and advances continued

Movement analysis of net loans by stage

	Stage 1 £'m	Stage 2 £'m	Stage 3 £'m	POCI £'m	Total £'m
As at 1 April 2021 (Restated[1])	**804.3**	**225.7**	**26.6**	**–**	**1,056.6**
Transfer to stage 1	62.3	(61.4)	(0.9)	–	–
Transfer to stage 2	(78.8)	79.5	(0.7)	–	–
Transfer to stage 3	(10.5)	(9.2)	19.7	–	–
New financial assets originated	491.7	–	–	–	**491.7**
New financial assets originated and transferred to Stage 2 or Stage 3	(50.8)	50.2	0.6	–	–
Financial assets which have repaid	(165.0)	(89.8)	(7.2)	–	**(262.0)**
Balance movements in loans	(24.1)	(41.5)	(11.6)	–	**(77.2)**
Write-offs	–	–	–	–	–
Total movement in loans and advances	**224.8**	**(72.2)**	**(0.1)**	**–**	**152.5**
As at 31 March 2022	**1,029.1**	**153.5**	**26.5**	**–**	**1,209.1**

	Stage 1 £'m	Stage 2 £'m	Stage 3 £'m	POCI £'m	Total £'m
As at 1 April 2020	**607.6**	**147.4**	**30.9**	**0.5**	**786.4**
Transfer to stage 1	53.8	(53.7)	(0.1)	–	–
Transfer to stage 2	(79.4)	88.7	(9.3)	–	–
Transfer to stage 3	(13.3)	(5.8)	19.1	–	–
New financial assets originated	417.4	–	–	–	**417.4**
New financial assets originated and transferred to Stage 2 or Stage 3	(87.0)	87.0	–	–	–
Financial assets which have repaid	(80.2)	(42.9)	(5.8)	(0.5)	**(129.4)**
Balance movements in loans	(14.6)	5.0	(8.2)	–	**(17.8)**
Total movement in loans and advances	**196.7**	**78.3**	**(4.3)**	**(0.5)**	**270.2**
As at 31 March 2021 (Restated[1])	**804.3**	**225.7**	**26.6**	**–**	**1,056.6**

1 See note 1.6

Movement analysis of gross loans by stage

	Stage 1 £'m	Stage 2 £'m	Stage 3 £'m	Total £'m
As at 1 April 2021 (Restated[1])	**775.9**	**221.1**	**32.3**	**1,029.3**
Transfer to stage 1	59.8	(58.8)	(1.0)	–
Transfer to stage 2	(76.3)	77.0	(0.7)	–
Transfer to stage 3	(10.4)	(9.2)	19.6	–
New financial assets originated	492.6	–	–	**492.6**
New financial assets originated and transferred to Stage 2 or Stage 3	(50.8)	50.2	0.6	–
Financial assets which have repaid	(161.7)	(89.4)	(7.9)	**(259.0)**
Balance movements in loans	(3.4)	(37.5)	(4.1)	**(45.0)**
Write-offs	–	–	(3.0)	**(3.0)**
Total movement in loans & advances	**249.8**	**(67.7)**	**3.5**	**185.6**
As at 31 March 2022	**1,025.7**	**153.4**	**35.8**	**1,214.9**

1 See note 1.6

	Stage 1 £'m	Stage 2 £'m	Stage 3 £'m	POCI £'m	Total £'m
As at 1 April 2020	**613.9**	**148.9**	**35.2**	**0.5**	**798.5**
Transfer to stage 1	54.6	(54.4)	(0.2)	–	**–**
Transfer to stage 2	(79.7)	89.0	(9.3)	–	**–**
Transfer to stage 3	(13.3)	(5.7)	19.0	–	**–**
New financial assets originated	408.3	–	–	–	**408.3**
New financial assets originated and transferred to Stage 2 or Stage 3	(86.3)	86.3	–	–	**–**
Financial assets which have repaid	(80.5)	(43.3)	(9.4)	(0.5)	**(133.7)**
Balance movements in loans	(41.1)	0.3	(0.2)	–	**(41.0)**
Write-offs	–	–	(2.8)	–	**(2.8)**
Total movement in loans & advances	**162.0**	**72.2**	**(2.9)**	**(0.5)**	**230.8**
As at 31 March 2021 (Restated[1])	**775.9**	**221.1**	**32.3**	**–**	**1,029.3**

1 See note 1.6

Movement analysis of ECL by stage

	Stage 1 £'m	Stage 2 £'m	Stage 3 £'m	POCI £'m	Total £'m
As at 1 April 2021	**0.7**	**1.7**	**6.1**	**–**	**8.5**
Transfer to stage 1	0.7	(0.6)	(0.1)	–	**–**
Transfer to stage 2	(0.1)	0.1	–	–	**–**
Transfer to stage 3	–	–	–	–	**–**
New financial assets originated	0.4	–	–	–	**0.4**
New financial assets originated and transferred to Stage 2 or Stage 3	(0.3)	0.3	–	–	**–**
Financial assets which have repaid	(0.3)	(0.4)	(1.0)	–	**(1.7)**
Changes in models/risk parameters	(0.9)	(0.2)	6.9	–	**5.8**
Adjustments for interest on impaired loans	–	–	1.1	–	**1.1**
Write-offs	–	–	(3.1)	–	**(3.1)**
Total movement in impairment provision	**(0.5)**	**(0.8)**	**3.8**	**–**	**2.5**
As at 31 March 2022	**0.2**	**0.9**	**9.9**	**–**	**11.0**

No POCI loans were originated during the year to 31 March 2022 and none are held at 31 March 2022.

Notes to the financial statements continued

19. Loans and advances continued

	Stage 1 £'m	Stage 2 £'m	Stage 3 £'m	POCI £'m	Total £'m
As at 1 April 2020	**0.3**	**1.2**	**4.5**	**–**	**6.0**
Transfer to stage 1	0.4	(0.4)	–	–	**–**
Transfer to stage 2	–	–	–	–	**–**
Transfer to stage 3	–	–	–	–	**–**
New financial assets originated	0.8	–	–	–	**0.8**
New financial assets originated and transferred to Stage 2 or Stage 3	(0.5)	0.5	–	–	**–**
Financial assets which have repaid	(0.1)	(0.3)	(0.3)	–	**(0.7)**
Changes in models/risk parameters	(0.2)	0.7	4.1	–	**4.6**
Adjustments for interest on impaired loans	–	–	0.7	–	**0.7**
Write-offs	–	–	(2.9)	–	**(2.9)**
Total movement in impairment provision	**0.4**	**0.5**	**1.6**	**–**	**2.5**
As at 31 March 2021	**0.7**	**1.7**	**6.1**	**–**	**8.5**

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 2022.

Credit risk on gross loans and advances

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

At 31 March 2021, the risk grades that determined probability of default ranged from 1 to 18. In the year to 31 March 2022, the underlying methodology has been changed to better align loss forecasting with portfolio risk. A 10-point risk grading has been implemented that is derived from the behavioural score of the borrower.

Risk grades detailed in the table range from 1 to 10 with a risk grade of 1 being assigned to cases with the lowest credit risk and 10 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 table has been included to show the 31 March 2021 position had the new scores been retrospectively applied.

Year Ended 31 March 2022	Stage 1 £'m	Stage 2 £'m	Stage 3 £'m	Total £'m
Risk Grades 1-5	1,024.2	147.5	–	**1,171.7**
Risk Grades 6-9	1.5	5.9	3.3	**10.7**
Default	–	–	32.5	**32.5**
Total	**1,025.7**	**153.4**	**35.8**	**1,214.9**

Year Ended 31 March 2021 (Restated[1])	Stage 1 £'m	Stage 2 £'m	Stage 3 £'m	Total £'m
Risk Grades 1-5	723.4	141.6	–	**865.0**
Risk Grades 6-10	52.5	79.5	–	**132.0**
Default	–	–	32.3	**32.3**
Total	**775.9**	**221.1**	**32.3**	**1,029.3**

1 See note 1.6

20. Trade and other payables

	Year Ended 31 March 2022 £'m	Year Ended 31 March 2021 (Restated[1]) £'m
Trade payables	26.4	17.0
Other payables:		
– Taxes and social security costs	0.7	0.6
– Accruals and deferred income	21.3	9.5
– Sub-lease deposit rent payable	0.2	–
	48.6	**27.1**

1 See note 1.6

The trade payables balance includes Trustees' balances of £18.9 million (2021: £4.9 million) in respect of uninvested cash held on the self-select platform, which may be withdrawn by investors at any time.

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

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

21. Interest bearing liabilities

	Year Ended March 2022 £'m	Year Ended March 2021 £'m
Funds from investors and partners	1,215.6	1,044.5
Unamortised funding line costs	(4.3)	(4.3)
	1,211.3	**1,040.2**

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 1% to 8% in the current financial year. Interest bearing liabilities have increased in order to fund the increase in loans and advances originated throughout the 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 2022 £'m	As at 31 March 2021 £'m
Interest bearing liabilities	1,211.3	1,040.2
Deduct: cash as reported in financial statements	(118.2)	(62.2)
Net debt: borrowings less cash as reported in the financial statements	**1,093.1**	**978.0**
Add back: unamortised funding line costs	4.3	4.3
Add back: trustees' account balances	18.9	4.9
Add: accrued interest	4.9	3.9
Deduct: retained interest	(2.6)	(5.0)
Net debt	**1,118.6**	**986.1**

Notes to the financial statements continued

22. Reconciliation of liabilities arising from financing activities continued

	Interest bearing liabilities £'m	Leases £'m	Derivatives £'m
31 March 2021	**(1,040.2)**	**(5.0)**	**(6.8)**
Cash flows	(171.1)	1.4	2.9
Fair value changes	–	–	36.4
Lease liability interest	–	(0.5)	–
31 March 2022	**(1,211.3)**	**(4.1)**	**32.5**

	Interest bearing liabilities £'m	Leases £'m	Derivatives £'m
31 March 2020	**(846.2)**	**(5.7)**	**(13.0)**
Cash flows	(194.0)	1.4	4.3
Fair value changes	–	–	1.9
Lease liability interest	–	(0.7)	–
31 March 2021	**(1,040.2)**	**(5.0)**	**(6.8)**

23. Share capital

Issued and fully paid up	Year Ended 31 March 2022 Number	Year Ended 31 March 2022 £	Year Ended 31 March 2021 Number	Year Ended 31 March 2021 £
Ordinary shares	137,698,910	68,849	21,168,175	21
A Ordinary shares	–	–	687,556	1
A2 Ordinary shares	–	–	880,000	1
A3 Ordinary shares	–	–	600,000	1
B1 Preferred shares	–	–	1,615,881	2
B2 Preferred shares	–	–	2,308,402	2
C Preferred shares	–	–	1,711,181	2
Total number of shares issued	**137,698,910**	**68,849**	**28,971,195**	**30**
Ordinary shares held in treasury	–	–	(861,000)	(1)
Ordinary shares held in EBT Trust	(861,000)	(430)	–	–
Forfeited ordinary shares held in SIP Trust	(3,344)	(2)	–	–
Total number of shares in circulation	**136,834,466**	**68,417**	**28,110,195**	**29**

Share premium	Year Ended March 2022 £'m	Year Ended March 2021 £'m
1 April	17.5	17.5
Issue of new equity	40.0	–
Costs incurred in issuing new equity	(2.3)	
31 March	**55.2**	**17.5**

On 14 July 2021, the Group completed a listing onto the London Stock Exchange and all existing share classes were converted to ordinary shares.

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

LendInvest plc has one class of ordinary share, the shares have attached to them full voting, dividend and capital distribution rights. They do not confer any rights of redemption. For the comparative period the Company had 7 classes of shares, the rights and obligations attaching to each class of ordinary and non-cumulative preference shares in the share capital at the time are set out in full in the Articles of Association prior to re-registration and can be found on the Companies house website.

The balance on the share premium account represents the amounts received in excess of the nominal value of the ordinary and preferred shares. All ordinary and preferred shares have a nominal value of £0.0005.

Reconciliation of movements during the period

	Ord Shares	Ord "A" Shares	Ord "A2" Shares	Ord "A3" Shares
As at 1 April 2021	**21,168,175**	**687,556**	**880,000**	**600,000**
1999:1 bonus issue, funded by share premium	42,315,181,825	1,374,424,444	1,759,120,000	1,199,400,000
Share consolidation 2000:1, nominal value of shares increased to £0.0002	(42,315,181,825)	(1,374,424,444)	(1,759,120,000)	(1,199,400,000)
A Ordinary conversion	7,803,020	(687,556)	(880,000)	(600,000)
4:1 share split, nominal value reduced to £0.0005	86,913,585	–	–	–
Issue of shares at IPO	21,531,722	–	–	–
Issue of shares in employee share scheme	282,408	–	–	–
As at 31 March 2022	**137,698,910**	**–**	**–**	**–**

	B1 Preferred Shares	B2 Preferred Shares	C Preferred Shares
As at 1 April 2021	**1,615,881**	**2,308,402**	**1,711,181**
1999:1 bonus issue, funded by share premium	3,230,146,119	4,614,495,598	3,420,650,819
Share consolidation 2000:1, nominal value of shares increased to £0.002	(3,230,146,119)	(4,614,495,598)	(3,420,650,819)
A Ordinary conversion	(1,615,881)	(2,308,402)	(1,711,181)
4:1 share split, nominal value reduced to £0.0005	–	–	–
Issue of shares at IPO	–	–	–
Issue of shares in employee share scheme	–	–	–
As at 31 March 2022	**–**	**–**	**–**

On 21 June 2021, the Group completed a bonus share issue to existing shareholders across all share classes, with 1999 bonus shares awarded for every 1 share held. The bonus issue was funded through the Group's share premium and increased the value of the Group's shares to £57,942.39. Immediately following this bonus share award, a share consolidation was completed, reducing every 2000 shares held by existing shareholders across all share classes to 1 share. This share consolidation increased the nominal value of all share classes to £0.002 from £0.000001.

On 14 July 2021, the Group successfully admitted to trading on the AIM market of the London Stock Exchange and converted all share classes to ordinary shares and performed a share split converting every share held into 4 shares and reducing the nominal value of the shares to £0.0005 from £0.002. An additional 21,531,722 of ordinary shares were issued to new shareholders.

In accordance with UITF 38, all shares held by employee trusts are deducted from shareholders' funds and are not classified as assets. The Group operates a SIP trust and an employee benefit trust. Shares held by these trusts are treated as a deduction from shareholders' funds in the financial statements. Other assets and liabilities of the trusts are consolidated in the Group's financial statements as if they were assets and liabilities of the Group. Included in the total number of ordinary shares outstanding above are 861,000 (Year ended 31 March 2021: nil) shares held by the Group's Employee Benefit Trust, the entirety of which is excluded from the total number of shares in circulation.282,408 (Year ended 31 March 2021: nil) shares held by the Group's Share Incentive Plan Trust form part of the number of ordinary shares issued, 3,344 of these shares are excluded from the total number of shares in circulation.

24. Reserves

Reserves are comprised of retained earnings, own share reserve, the employee share reserve, fair value reserves and cashflow hedge reserves. Retained earnings represent all net gains and losses of the Group less directly attributable 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.For the year ended 31 March 2022 the Group recognised (£30.6 million) of fair value losses through other comprehensive income due to higher interest curves on which the Group measures its loans and advances. For the comparative period a lower interest rate environment generated fair value gains of £43.5 million on the Groups loans and advance. £39.9 million of these fair value gains were recognised through other comprehensive income and £3.6 million was recycled into the statement of profit and loss following derecognition of a proportion of the Groups portfolio of BTL loans.

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.

Notes to the financial statements continued

25. Share-based payments

Company Share Option Plan

During the 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*	£0.15 per share	£0.30 per share	£0.6 per share	£0.6 per share	£0.9 per share
Amortisation period	3 years	4 years	4 years	4 years	4 years
Strike price*	£0.0125	£0.0005	£0.0005	£0.0005	£0.0005
Expiry date	September 2026	November 2027	September 2028	August 2029	January 2031
Grant date	September 2016	November 2017	September 2018	August 2019	January 2021

* Note: due to the bonus share issue and consolidation outlined in note 23, the total number of options increased by a factor of 4, the valuation of the share options at grant date has reduced to one fourth of its previous value and the strike price of the options increased proportionately with the increase in the nominal value of the shares. There was no change in the underlying value of the options as a result of these changes. See note 23 for further details.

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 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**
4:1 share/option split*	462,591	322,125	727,950	567,750	1,684,500
Granted during the year	–	–	–	–	–
Options exercised during the year	–	(16,000)	(22,052)	(10,000)	(19,500)
Cancelled during the year	–	(12,000)	(36,348)	(60,000)	(269,500)
Balance at 31 March 2022	**616,788**	**401,500**	**912,200**	**687,000**	**1,957,000**

* See note 23 for further details.

The weighted average exercise price of all of the options exercised in the year was £1.99.

Awards granted in the year to 31 March 2022

During the period ended 31 March 2022, the Company implemented the following new share based payment plans, all of which are equity settled.

a) Executive Share Option Plans

Under the LendInvest plc 2021 Long Term Incentive Plan ("LTIP").

The Plan, introduced in 2021, is aimed at delivering shareholder value by linking the receipt of shares to an improvement in the performance of the share price over a three year period. Awards are made within limits set by the rules of the Plan, with the limits determining the maximum number of shares that can be awarded equating to three times annual salary unless used as a recruitment award.

During the period ending 31 March 2022, conditional nil-cost option awards were granted following Admission, consisting of LTIP share awards made to the Directors and a limited number of the senior management team.

a) Executive Share Option Plans continued

Movements in the number of LTIP shares outstanding and their exercise prices are set out below:

Year of introduction	Share price per award	Exercise price per award	Date of vesting	Number of shares for which awards outstanding at March 2021	Awards granted during period	Awards vested during period	Awards lapsed during period	Number of shares for which awards outstanding at March 2022
2021.1	2.185	Nil	Aug 2024	–	2,179,106	–	34,696	2,144,410
2021.2	2.010	Nil	Dec 2024	–	212,120	–	–	212,120

The weighted average fair value of these awards granted during the period was £0.73 per award.

b) Other Share Plans

Share Incentive Plan

An award of shares was made to employees of £3,600 in Aug 2021 to recognise successful completion of the IPO. The shares awarded are held in trust for three years on the employee's behalf, during which period the employee is entitled to any dividends paid on such shares. The award is subject to a non-market based condition. If an employee leaves the Group within this three-year period for other than a 'good' reason, all of the shares awarded will be forfeited.

On 16 August 2021, an award of 1,722 shares was made to all eligible employees. The number of shares awarded was 282,408, with a fair value of £2.09 based on the market price at the date of award.

Movements in the number of SIP shares outstanding are set out below:

	Year ended 31 March 2022 Number of shares
Granted	282,408
Forfeited	(10,332)
Outstanding at March 2022	272,076

Share-based payment charge recognised

	Year Ended 31 March 2022 £'m	Year Ended 31 March 2021 £'m
Executive Share Option Plans:		
Long Term Incentive Plan:		
Options granted in the year	0.3	–
Other Share Plans:		
Share Incentive Plan		
Shares granted in the year	0.1	–
Company Share Options Plan	0.7	0.7
Total all plans	**1.1**	**0.7**
Social security expense	0.1	–
Total charge to the income statement (note 8)	**1.2**	**0.7**

Weighted average exercise price

	£
At 1 April 2021	0.01
At 31 March 2022	**0.01**

Notes to the financial statements continued

25. Share based payments continued

Weighted average remaining contractual life

	Years	Number of Options
2016 CSOP	4.5	616,788
2017 CSOP	5.6	401,500
2018 CSOP	6.5	912,200
2019 CSOP	7.4	687,000
2020 CSOP	8.8	1,957,000
2021.1 LTIPs	2.3	2,144,410
2021.1 LTIPs	2.8	212,120
All schemes	**5.8**	**4,574,488**

26. Financial instruments

Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are: loans and advances, interest bearing liabilities, 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 2022 and 31 March 2021 according to the nature of the asset. All financial liabilities of the Group are carried at amortised cost as at 31 March 2022 and 31 March 2021 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.

(a) Carrying amount of financial instruments

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

Financial assets at amortised cost	As at 31 March 2022 £'m	As at 31 March 2021 (Restated[1]) £'m
Cash and cash equivalents	118.2	62.2
Trade and other receivables	3.6	4.2
Loans and advances[2]	16.1	24.3
Financial assets at fair value through other comprehensive income		
Loans and advances	1,193.0	1,032.1
Financial assets at fair value through profit and loss		
Derivative financial asset	32.5	1.9
Loans and advances	–	0.2
Total financial assets	**1,363.4**	**1,124.9**

1 See note 1.6

2 As at 31 March 2022 the group held a number of loans originated under the governments CBILs scheme. These loans are valued at amortised cost within the accounts.

Financial assets at amortised cost	As at 31 March 2022 £'m	As at 31 March 2021 (Restated[1]) £'m
Financial liabilities at amortised cost		
Trade and other payables	(48.1)	(26.6)
Interest bearing liabilities	(1,211.3)	(1,040.2)
Lease liability	(4.3)	(5.0)
Financial liabilities at fair value through profit & loss		
Derivative financial liability	–	(8.7)
Total financial liabilities	**(1,263.7)**	**(1,080.5)**

(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:

Financial assets	As at 31 March 2022 Carrying Amount £'m	As at 31 March 2022 Fair Value £'m	As at 31 March 2021 Carrying Amount £'m	As at 31 March 2021 Fair Value £'m
Cash and cash equivalents	118.2	118.2	62.2	62.2
Trade and other receivables	3.6	3.6	4.2	4.2
Loans and advances	1,209.1	1,209.1	1,056.6	1,056.6
Derivative financial asset	32.5	32.5	1.9	1.9
Fair value adjustment for portfolio hedged risk asset	1.7	1.7	2.5	2.5
Total financial assets	**1,365.1**	**1,365.1**	**1,127.4**	**1,127.4**
Financial liabilities				
Trade and other payables	(48.1)	(48.1)	(26.6)	(26.6)
Interest bearing liabilities	(1,211.3)	(1,212.2)	(1,040.2)	(1,042.4)
Derivative financial liability	–	–	(8.7)	(8.7)
Fair value adjustment for portfolio hedged risk liability	(9.4)	(9.4)	(2.4)	(2.4)
Lease liability	(4.3)	(4.3)	(5.0)	(5.0)
Total financial liabilities	**(1,273.1)**	**(1,274.0)**	**(1,082.9)**	**(1,085.1)**

The fair value of Retail Bond 1 interest bearing liabilities is calculated based on the mid-market price of 100.2 on 31 March 2022 (price of 100.3 on 31 March 2021).

The fair value of Retail Bond 2 interest bearing liabilities is calculated based on the mid-market price of 100.7 on 31 March 2022 (price of 102.2 on 31 March 2021).

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.

Notes to the financial statements continued

26. 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 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.

Financial instruments measured or disclosed at fair value	As at 31 March 2022 £'m	Level 1 £'m	Level 2 £'m	Level 3 £'m
Interest rate swap	32.5	–	32.5	–
Loans and advances	1,193.0	–	–	1,193.0
Financial instruments measured or disclosed at amortised cost				
Interest bearing liabilities[1]	(1,212.2)	(1,212.2)	–	–

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

Financial instruments measured or disclosed at fair value	As at 31 March 2021 £'m	Level 1 £'m	Level 2 £'m	Level 3 £'m
Interest rate swap	6.8	–	6.8	–
Loans and advances	1,032.1	–	–	1,032.1
Financial instruments measured or disclosed at amortised cost				
Interest bearing liabilities[1]	(1,042.4)	(1,042.4)	–	–

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.

Level 3 Financial Instruments	Year Ended 31 March 2022 £'m
Level 3 assets at beginning of the period	**1,032.1**
Additional impairment provisions made during the period[1]	(5.5)
Fair value adjustments on loan & advances through OCI	(30.4)
Fair value adjustments through P&L	(0.2)
New level 3 assets originated	491.7
Level 3 assets that have repaid	(253.7)
Balance movements in level 3 assets	(41.0)
Level 3 assets at the end of the period	**1,193.0**

1 The net ECL impact on the income statement for the year is £5.5 million (2021: £5.3 million). This includes the £4.4 million (2021: £4.6 million) 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 £1.1 million (2021: £0.7 million).

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

(d) Fair value and cash flow hedge reserve

	Financial assets £'m	Deferred tax £'m	Fair value reserve £'m
Fair value reserve at 1 April 2021 (Restated [1])	**32.6**	**(6.2)**	**26.4**
Movement in fair value of loans and advances at fair value through other comprehensive income	(30.5)	5.5	(25.0)
Cash flow hedge adjustment through other comprehensive income	29.4	(7.2)	22.2
Fair value reserve at 31 March 2022	**31.5**	**(7.9)**	**23.6**

1 See note 1.6

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 reported through other comprehensive income.

Sensitivity Analysis

Impact of changes in unobservable inputs at 31 March 2022	+100bps £'m	-100bps £'m
Prepayment rates	(0.3)	0.3
Discount rate	(30.0)	31.5
Probability of default	(0.4)	0.8

Impact of changes in unobservable inputs at 31 March 2021	+100bps £'m	-100bps £'m
Prepayment rates	(0.7)	0.7
Discount rate	(23.2)	24.4
Probability of default	(0.3)	0.6

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

The fair value movement of loan and advances primarily consist of movements in the fair value of the Buy-to-Let portfolio. The Buy-to-Let fair value is most sensitive to discount rate movements. The movements in the Buy-to-Let discount rate are directly linked to changes in interest rates which the Group hedges through interest rate swaps. Any increase or decrease in the fair value of Buy-to-Let loans and advances will be offset by a corresponding decrease or increase in the fair value of the derivative on the Group's balance sheet.

Notes to the financial statements continued

27. Derivatives held for risk management

Instrument Type	Year Ended 31 March 2022 Asset £'m	Year Ended 31 March 2022 Liability £'m	Year Ended 31 March 2021 Asset £'m	Year Ended 31 March 2021 Liability £'m
LIBOR indexed interest rate swaps	–	–	1.9	–
SONIA indexed interest rate swaps	32.5	–	–	(8.7)
Total	**32.5**	**–**	**1.9**	**(8.7)**

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 £39.3 million on the derivative fair value position during the year (2021: gain of £6.2 million). The reported derivative gains are driven by settlement of £4.7 million of brought forward fair value losses, and fair value gains of £34.6 million during the year. The net notional principal amount of the outstanding interest rate swap contracts at 31 March 2021 was £1,004.7 million (2021: £717.9 million).

28. Dividends

The Directors propose that a final dividend in respect of the year ended 31 March 2022 of 4.4p per share will be paid on the 16 September 2022 to all shareholders on the register of members on the 26 August 2022. This dividend is subject to approval by shareholders at the AGM and has not been accrued as a liability in these Financial Statements in accordance with IAS 10 'Events after the reporting period'.

29. Related party transactions

There were no related party transactions during the period to 31 March 2022 that would materially affect the position or performance of the Group.

30. Controlling party

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

31. Events after the reporting date

On 13 May 2022, the Group completed its fourth securitisation which included £270 million of UK prime Buy-to-Let mortgage loans in an oversubscribed RMBS transaction. Citi acted as Sole Arranger, with Citi, National Australia Bank, J.P. Morgan and Standard Chartered Bank acting as Joint Lead Managers.

32. Earnings per share

Basic earnings per share	Year Ended 31 March 2022 Pence/share	Year Ended 31 March 2021 Pence/share
Total basic earnings per share attributable to the ordinary equity holders of the Group	8.33p	3.45p

Diluted earnings per share	Year Ended 31 March 2022 Pence/share	Year Ended 31 March 2021 Pence/share
Total basic earnings per share attributable to the ordinary equity holders of the Group	8.04p	3.34p

Number of shares used as denominator	Year Ended 31 March 2022	Year Ended 31 March 2021
Number of ordinary shares used as the denominator in calculating basic earnings per share	130,578,156	110,231,989
Adjustment for calculations of diluted earnings per share: Options	4,776,225	3,389,421
Number of ordinary shares and potential ordinary shares used as denominator in calculating diluted earnings per share	135,354,381	113,621,410

The profit after tax reported in the consolidated statement of profit and loss, £10.9 million (31 March 2021: £3.8 million), is the numerator (earnings) used in calculating earnings per share.

Company statement of financial position

	Note	As at 31 March 2022 £'m	As at 31 March 2021 £'m
Assets			
Cash and cash equivalents	8	52.4	27.9
Trade and other receivables	7	16.5	37.7
Corporate tax receivable	3	2.0	–
Loans and advances	9	44.6	22.0
Property, plant and equipment	4	2.8	4.6
Net investment in sublease	2	1.2	–
Intangible assets	5	6.1	5.5
Investment in subsidiaries	6	–	–
Deferred taxation	3	1.2	0.4
Total assets		**126.8**	**98.1**
Liabilities			
Trade and other payables	10	(28.7)	(19.8)
Corporation tax payable	3	–	(0.6)
Interest bearing liabilities	11	(22.3)	(42.1)
Lease liabilities	2	(4.1)	(5.0)
Deferred taxation	3	–	(0.1)
Total liabilities		**(55.1)**	**(67.6)**
Net Assets		**71.7**	**30.5**
Equity			
Employee share reserve		2.6	1.6
Share capital	12	0.1	–
Share premium	12	55.2	17.5
Fair value reserve	13	–	–
Retained earnings	13	13.8	11.4
Total equity		**71.7**	**30.5**

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

The profit after tax of the parent company for the year was £1.8 million (2021: £3.8 million).

The financial statements on pages 122 to 132 were approved and authorised for issue by the Board of Directors on 5 July 2022 and were signed on its behalf by:

Michael Evans
Director

Company statement of cash flows

Cash flow from operating activities	Note	Year ended March 2022 £'m	Year ended March 2021 £'m
Profit after taxation		1.8	3.0
Adjusted for:			
Depreciation of property, plant and equipment	4	0.1	0.2
Amortisation of intangible assets	5	2.6	2.2
Company share and share option schemes	14	1.2	0.7
Income tax expense		0.7	0.2
Impairment provision	9	0.5	0.4
Depreciation of right of use asset	2	0.9	0.9
Interest expense – lease liabilities	2	0.5	0.6
Costs relating to market listing		**1.6**	**–**
Costs relating to abortive market listing		–	0.1
Change in working capital			
Increase in gross loans and advances	9	(23.1)	(11.4)
Decrease/(increase) in trade and other receivables	7	21.2	(7.1)
Decrease in trade and other payables	10	8.9	2.8
Income taxes paid	3	(3.7)	–
Cash generated/(used in) from operations		**13.2**	**(7.4)**

Cash flow from investing activities	Note	Year ended March 2022 £'m	Year ended March 2021 £'m
Purchase of property, plant and equipment	4	(0.4)	–
Capitalised development costs	5	(3.2)	(2.4)
Net cash used in investing activities		**(3.6)**	**(2.4)**
Cash flow from financing activities			
Decrease/ (increase) in interest bearing liabilities	11	(19.8)	9.6
Principal elements of finance lease payments		(0.9)	(0.8)
Interest expense – lease liabilities		(0.5)	(0.6)
Proceeds from an equity share issue		40.0	–
Equity raise costs		**(3.9)**	**–**
Costs relating to abortive market listing		–	(0.1)
Net cash generated from financing activities		**14.9**	**8.1**
Net increase/(decrease) in cash and cash equivalents		**24.5**	**(1.7)**
Cash and cash equivalents at beginning of the period	8	27.9	29.6
Cash and cash equivalents at end of the period	8	**52.4**	**27.9**

Interest received was £0.2 million (2021: £0.2 million) and interest paid was £3.2 million (2021: £3.0 million).

Company statement of changes in equity

	Note	Share capital £'m	Share premium £'m	Employee share reserve £'m	Fair value reserve net of deferred tax £'m	Retained earnings £'m	Total £'m
Balance as at 31 March 2020		**–**	**17.5**	**0.9**	**–**	**8.4**	**26.8**
Profit after taxation		–	–	–	–	3.0	**3.0**
Employee share option schemes	14	–	–	0.7	–	–	**0.7**
Fair value adjustments on loan and advances		–	–	–	–	–	**–**
Balance as at 31 March 2021		**–**	**17.5**	**1.6**	**–**	**11.4**	**30.5**
Profit after taxation		–	–	–	–	1.8	**1.8**
Employee share scheme tax		–	–	–	–	0.6	**0.6**
Employee share option schemes		–	–	1.0	–	–	**1.0**
Fair value adjustments on loan and advances through OCI		–	–	–	–	–	**–**
Bonus issue of free shares funded by share premium		0.1	(0.1)	–	–	–	**–**
Issue of new shares on IPO		–	40.1	–	–	–	**40.1**
Cost incurred in issuing new shares		–	(2.3)	–	–	–	**(2.3)**
Balance as at 31 March 2022		0.1	**55.2**	**2.6**	**–**	**13.8**	**71.7**

Notes forming part of the Company financial statements

1. Basis of preparation and significant accounting policies

1.1 Basis of Preparation and Going concern

The separate financial statements of the Company are presented as required by the Companies Act 2006. As permitted by that Act, the separate financial statements have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. LendInvest plc (previously LendInvest Limited) is a public company incorporated and domiciled in the United Kingdom under the Companies Act 2006. The Group listed on AIM, a market operated by the London Stock Exchange on the 14 July 2021. The address of its registered office is given on page 58. The Company's registered number is 08146929. The principal place of business of the subsidiaries is the UK.

The financial statements have been prepared on the historical cost basis except as required in the valuation of certain financial instruments which are carried at fair value. The principal accounting policies adopted are the same as those set out in note 1 to the consolidated financial statements except as noted below. These policies have been consistently applied to all the years presented, unless otherwise stated. The principal activities of the Company and the nature of the Company's operations are as a holding company for a global SME loan platform.

The financial statements are prepared on a going concern basis as the Directors are satisfied that the Group has the resources to continue in business for the foreseeable future (which has been taken as 12 months from the date of approval of the financial statements). The Group's business activities, including those of the Company, together with the factors likely to affect its future development and position are set out in the strategic report.

1.2 Changes in prior year figures

(i) The Company has restated its March 2021 consolidated statement of financial position in accordance with IAS 1:54(n), which requires the inclusion of liabilities and assets for current tax as a separate line item in the statement of financial position. It was previously shown within the Trades and other payables line item. This has had no impact on the March 2021 consolidated statement of profit and loss or the March 2021 consolidated statement of cash flows.

Restated comparative Company statement of financial position

	As at 31 March 2021 £'m (Reported)	Adjustment £'m	As at 31 March 2021 £'m (Restated)
Assets			
Cash and cash equivalents	27.9	–	27.9
Trade and other receivables	37.7	–	37.7
Loans and advances	22.0	–	22.0
Property, plant and equipment	4.6	–	4.6
Intangible assets	5.5	–	5.5
Investment in subsidiaries	–	–	–
Deferred taxation	0.4	–	0.4
Total assets	**98.1**	**–**	**98.1**
Liabilities			
Trade and other payables	(20.4)	0.6	(19.8)
Corporation tax payable	–	(0.6)	(0.6)
Interest bearing liabilities	(42.1)	–	(42.1)
Lease liabilities	(5.0)	–	(5.0)
Deferred taxation	(0.1)	–	(0.1)
Total liabilities	**(67.6)**	**–**	**(67.6)**
Net assets	**30.5**	**–**	**30.5**
Equity			
Share capital	–	–	–
Share premium	17.5	–	17.5
Employee share reserve	1.6	–	1.6
Fair value reserve	–	–	–
Cash flow hedge reserve	–	–	–
Retained earnings	11.4	–	11.4
Total equity	**30.5**	**–**	**30.5**

2. Leases

Please refer to Group financial statements, Note 2.

3. Taxation on profit on ordinary activities

Factors that may affect future tax charges

In March 2021, it was announced in the 2021 Budget that the main rate of UK corporation tax will rise to 25% from 1 April 2023. The proposal to increase the rate to 25% was substantively enacted in May 2021.

Deferred taxation

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

	Year ended 31 March 2022 £'m	Year ended 31 March 2021 £'m
Deferred tax assets	1.2	0.4
Deferred tax liabilities	–	(0.1)
Net deferred tax assets	**1.2**	**0.3**

The movements during the year are analysed as follows:

	Year ended 31 March 2022 £'m	Year ended 31 March 2021 £'m
Net deferred tax assets at the beginning of the year	**0.3**	**0.2**
Credit to the statement of profit and loss for the year	0.2	0.1
Credit to equity	0.6	–
Over provision of deferred tax	0.1	–
Net deferred tax assets at the end of the year	**1.2**	**0.3**

Category of deferred tax

2022	Opening Balance £'m	Opening Balance Adjustment	Credit/ (Charge) to the statement of profit and loss – CY £'m	Credit/ (Charge) through equity – CY £'m	Credit/ (Charge) to the statement of profit and loss – PY £'m	Closing Balance £'m
Property, plant and equipment	(0.1)	–	–	–	0.1	**–**
Share and share option schemes	0.3	–	0.2	0.6	–	**1.1**
IFRS 16 transitional adjustment	0.1	–	–	–	–	**0.1**
Losses	–	–	–	–	–	**–**
	0.3	–	**0.2**	**0.6**	**0.1**	**1.2**
2021						
Property, plant and equipment	(0.1)	–	–	–	–	**(0.1)**
Share and share option schemes	0.2	–	0.1	–	–	**0.3**
IFRS 16 transitional adjustment	0.1	–	–	–	–	**0.1**
Losses	–	–	(0.1)	–	0.1	**–**
	0.2	**–**	**–**	**–**	**0.1**	**0.3**

At 31 March 2022, the Company had no unrecognised deferred taxation assets (2021: £nil).

4. Property, plant and equipment

Refer to consolidated financial statements, Note 15.

5. Intangibles

Refer to consolidated financial statements, Note 16.

Notes forming part of the Company financial statements continued

6. Investment in subsidiaries

	Year ended 31 March 2022 £'m	Year ended 31 March 2021 £'m
As at 1 April	–	–
As at 31 March	–	–

The Company owned either directly or indirectly, 100% of the share capital of the following subsidiaries as at 31 March 2022. All entities, other than those marked with *, were also in place during the prior year:

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	Intermediary holding company	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	Dormant	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	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 secured lending to third party borrowers	LendInvest Loan Holdings Limited
LendInvest Secured Income Plc	Provides secured lending to third party borrowers	LendInvest Loan Holdings Limited
LendInvest 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 Capital GP Sarl	Managing partner of an alternative investment fund	LendInvest Funds Management Limited
LendInvest Capital GP II Sarl*	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

Management has also assessed the Company as being in control of the investee's listed below, based on judgements with regard to the control criteria prescribed in paragraph 7 of IFRS 10.

Entity Name	Principal Activities	Direct Holding
BTL No. 1 Limited	Warehousing vehicle for Buy-to-let mortgages	NA
BTL No. 2 Limited	Warehousing vehicle for Buy-to-Let mortgages	NA
Titan No.1 Limited	Warehousing vehicle for Buy-to-Let & Bridging loans	NA
Puma BTL Limited	Securitisation loan note repurchasing vehicle	NA
Mortimer BTL 2019-1 Limited	Securitisation vehicle for Buy-to-Let mortgages	NA
Mortimer BTL 2020-1 Limited	Securitisation vehicle for Buy-to-Let mortgages	NA
Mortimer BTL 2021-1 Limited*	Securitisation vehicle for Buy-to-Let mortgages	NA
LendInvest Employee Benefit Trust*	Issues shares to staff under the Group's CSOP and LTIPs schemes	NA
LendInvest Share Incentive Plan*	Issues shares to staff under the Group's SIP scheme	NA

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

7. Trade and other receivables

Due within one year	Year Ended 31 March 2022 £'m	Year Ended 31 March 2021 £'m
Trade receivables	12.4	34.2
Other receivables:		
– Prepayments and accrued income	2.4	2.1
– Other receivables	0.5	0.2
Due after one year		
Rent deposit	1.2	1.2
	16.5	**37.7**

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.

8. Cash at bank in hand

	Year ended 31 March 2022 £'m	Year ended 31 March 2021 £'m
Cash and cash equivalents	33.5	23.0
Trustees' account	18.9	4.9
	52.4	**27.9**

Trustees' account relates to monies held on account for the benefit of our investors in the Self-Select Platform, prior to them either investing in loans or withdrawing their capital. 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 10).

Notes forming part of the Company financial statements continued

9. Loans and advances

	Year ended 31 March 2022 £'m	Year ended 31 March 2021 £'m
Gross loans and advances[1]	46.0	22.8
ECL provision	(1.4)	(0.9)
Fair value adjustment[2]	–	0.1
Loans and advances	**44.6**	**22.0**

1 Included in gross loans and advances is £43.1 million (2021: £21.0 million) of loans made to group entities. The ECL provision has been calculated on these loans.

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

ECL provision

Movement in the period	£'m
Under IFRS 9 at 1 April 2021	**(0.9)**
Additional provisions made during the period	(0.4)
Utilised in the period	(0.1)
Under IFRS 9 at 31 March 2022	**(1.4)**

Movement in the period	£'m
Under IFRS 9 at 1 April 2020	**(0.6)**
Additional provisions made during the period	(0.4)
Utilised in the period	0.1
Under IFRS 9 at 31 March 2021	**(0.9)**

Analysis of loans and advances by stage

Year ended 31 March 2022	Stage 1 £'m	Stage 2 £'m	Stage 3 £'m	Total £'m
Gross loans and advances	43.3	1.3	1.4	**46.0**
ECL provision	(1.1)	–	(0.3)	**(1.4)**
Fair value adjustment	–	–	–	**–**
Loans and advances	**42.2**	**1.3**	**1.1**	**44.6**

Year ended 31 March 2021	Stage 1 £'m	Stage 2 £'m	Stage 3 £'m	Total £'m
Gross loans and advances	21.1	0.9	0.8	**22.8**
ECL provision	(0.7)	–	(0.2)	**(0.9)**
Fair value adjustment	0.1	–	–	0.1
Loans and advances	**20.5**	**0.9**	**0.6**	**22.0**

The maximum LTV on stage 1 loans is 82%. The maximum LTV on stage 2 loans is 129%. The maximum LTV on Stage 3 loans is 169% and the total value of collateral held on stage 3 loans is £1.4 million.

Movement analysis of net loans by stage

	Stage 1 £'m	Stage 2 £'m	Stage 3 £'m	Total £'m
As at 1 April 2021	**20.5**	**0.9**	**0.6**	**22.0**
Transfer to stage 1	–	–	–	**–**
Transfer to stage 2	–	–	–	**–**
Transfer to stage 3	–	–	–	**–**
New financial assets originated	0.1	–	–	**0.1**
New financial assets originated and transferred to Stage 2 or Stage 3	(0.1)	0.1	–	**–**
Financial assets which have repaid	(0.1)	(0.7)	(0.3)	**(1.1)**
Balance movements in loans	21.8	1.0	0.8	**23.6**
Write-offs	–	–	–	–
Total movement in loans and advances	**21.7**	**0.4**	**0.5**	**22.6**
As at 31 March 2022	**42.2**	**1.3**	**1.1**	**44.6**

	Stage 1 £'m	Stage 2 £'m	Stage 3 £'m	Total £'m
As at 1 April 2020	**9.6**	**0.5**	**1.0**	**11.1**
Transfer to stage 1	–	–	–	**–**
Transfer to stage 2	–	0.1	(0.1)	**–**
Transfer to stage 3	–	–	–	**–**
New financial assets originated	0.1	–	–	**0.1**
New financial assets originated and transferred to Stage 2 or Stage 3	–	–	–	**–**
Financial assets which have repaid	–	(0.2)	(0.4)	**(0.6)**
Balance movements in loans	10.9	0.5	0.1	**11.5**
Write-offs	–	–	(0.1)	(0.1)
Total movement in loans and advances	**11.0**	**0.4**	**(0.5)**	**10.9**
As at 31 March 2021	**20.6**	**0.9**	**0.6**	**22.0**

Movement analysis of gross loans by stage

	Stage 1 £'m	Stage 2 £'m	Stage 3 £'m	Total £'m
As at 1 April 2021	**21.2**	**0.9**	**0.8**	**22.9**
Transfer to stage 1	–	–	–	**–**
Transfer to stage 2	–	–	–	**–**
Transfer to stage 3	–	–	–	**–**
New financial assets originated	0.1	–	–	**0.1**
New financial assets originated and transferred to Stage 2 or Stage 3	(0.1)	0.1	–	**–**
Financial assets which have repaid	(0.1)	(0.7)	(0.3)	**(1.1)**
Balance movements in loans	22.2	1.0	0.8	**24.0**
Write-offs	–	–	0.1	**0.1**
Total movement in loans and advances	**22.1**	**0.4**	**0.6**	**23.1**
As at 31 March 2022	**43.3**	**1.3**	**1.4**	**46.0**

Notes forming part of the Company financial statements continued

9. Loans and advances continued

	Stage 1 £'m	Stage 2 £'m	Stage 3 £'m	Total £'m
As at 1 April 2020	**9.9**	**0.5**	**1.2**	**11.6**
Transfer to stage 1	–	–	–	**–**
Transfer to stage 2	–	0.1	(0.1)	**–**
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	–	(0.2)	(0.5)	**(0.7)**
Balance movements in loans	11.3	0.5	0.3	**12.1**
Write-offs	–	–	(0.1)	**(0.1)**
Total movement in loans and advances	**11.3**	**0.4**	**(0.4)**	**11.3**
As at 31 March 2021	**21.2**	**0.9**	**0.8**	**22.9**

Movement analysis of ECL by stage

	Stage 1 £'m	Stage 2 £'m	Stage 3 £'m	Total £'m
As at 1 April 2021	**0.7**	**–**	**0.2**	**0.9**
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]	–	–	–	**–**
Changes in models/risk parameters	0.4	–	0.1	**0.5**
Adjustments for interest on impaired loans	–	–	–	**–**
Write-offs	–	–	–	–
Total movement in impairment provision	**0.4**	**–**	**0.1**	**0.5**
As at 31 March 2022	**1.1**	**–**	**0.3**	**1.4**

The Company held no POCI loans during the year to 31 March 2022.

	Stage 1 £'m	Stage 2 £'m	Stage 3 £'m	Total £'m
As at 1 April 2020	**0.4**	**–**	**0.2**	**0.6**
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]	–	–	(0.1)	**(0.1)**
Changes in models/risk parameters	0.3	–	0.2	**0.5**
Adjustments for interest on impaired loans	–	–	–	**–**
Write-offs[2]	–	–	(0.1)	**(0.1)**
Total movement in impairment provision	**0.3**	**–**	**–**	**0.3**
As at 31 March 2021	**0.7**	**–**	**0.2**	**0.9**

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

Credit risk on gross loans and advances

The table below provides information on the Company's loans and advances by stage and risk grade. See note 19 of the Group's accounts for details of the change of the calculation of risk grades during the current year. A table has been included to show the 31 March 2021 position had the new scores been retrospectively applied.

Year ended 31 March 2022	Stage 1 £'m	Stage 2 £'m	Stage 3 £'m	Total £'m
Risk Grades 1-5	42.2	1.0	–	**43.2**
Risk Grades 6-9	–	0.3	–	**0.3**
Default	–	–	1.1	**1.1**
Total	**42.2**	**1.3**	**1.1**	**44.6**

Year ended 31 March 2021	Stage 1 £'m	Stage 2 £'m	Stage 3 £'m	Total £'m
Risk Grades 1-5	21.2	0.7	–	**21.9**
Risk Grades 6-9	–	0.2	–	**0.2**
Default	–	–	0.8	**0.8**
Total	**21.2**	**0.9**	**0.8**	**22.9**

Notes forming part of the Company financial statements continued

10. Trade and other payables

	Year Ended 31 March 2022 £'m	Year Ended 31 March 2021 £'m
Trade payables	22.6	13.1
Other payables:		
– Taxes and social security costs	0.7	0.6
– Accruals and deferred income	5.1	6.1
– Sublease deposit repayable	0.2	–
– Employee free share award	0.1	–
	28.7	**19.8**

The trade payables balance includes Trustees' balances of £18.9 million in respect of uninvested cash held on the self-select platform, which may be withdrawn by investors at any time.

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

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

11. Interest bearing liabilities

	Year Ended March 2022 £'m	Year Ended March 2021 £'m
Funds from investors and partners	22.3	42.1
	22.3	**42.1**

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

12. Share Capital

Refer to Group financial statements, Note 23.

13. Reserves

Reserves are comprised of retained earnings and the employee share reserve, and fair value reserves. Retained earnings represent all net gains and losses of the Group less directly attributable 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.

14. Share-based payments

Refer to Group financial statements, Note 25.

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, loans and borrowings, and trade and other payables.

Categorisation of financial assets and financial liabilities

The financial assets of the Company are carried at amortised cost, fair value through other comprehensive income or fair value through profit and loss as at 31 March 2022 and 31 March 2021 according to the nature of the asset. All financial liabilities of the Company are carried at amortised cost as at 31 March 2022 and 31 March 2021 due to the nature of the liability.

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:

Financial assets at amortised cost	Year Ended 31 March 2022 £'m	Year Ended 31 March 2021 £'m
Cash and cash equivalents	52.4	27.9
Trade and other receivables	26.8	35.5
Financial assets at fair value through other comprehensive income		
Loans and advances	44.6	22.0
Total financial assets	**123.8**	**85.4**
Financial liabilities at amortised cost		
Trade and other payables	(28.0)	(19.1)
Interest bearing liabilities	(22.3)	(42.1)
Lease liability	(4.1)	(5.0)
Total financial liabilities	**(54.4)**	**(66.2)**

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 2022	Level 1	Level 2	Level 3
Financial instruments measured or disclosed at fair value	**£'m**	**£'m**	**£'m**	**£'m**
Loans and advances	44.6	–	–	44.6
Financial Instruments measured or disclosed at amortised cost	**–**	**–**	**–**	**–**
Interest bearing liabilities [1]	**(22.3)**	**(22.3)**	**–**	**–**

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

	As at 31 March 2021	Level 1	Level 2	Level 3
Financial instruments measured or disclosed at fair value	**£'m**	**£'m**	**£'m**	**£'m**
Loans and advances	22.0	–	–	22.0
Financial Instruments measured or disclosed at amortised cost	**–**	**–**	**–**	**–**
Interest bearing liabilities [1]	**(42.1)**	**(42.1)**	**–**	**–**

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

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

Notes forming part of the Company financial statements continued

15. Financial instruments continued

Fair Value Hierarchy continued

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.

16. Reconciliation of liabilities arising from financing activities

	Interest bearing liabilities £'m	Leases £'m
31 March 2021	**(42.1)**	**(5.0)**
Cash flows	19.8	1.4
Lease liability interest	–	(0.5)
31 March 2022	**(22.3)**	**(4.1)**
31 March 2020	**(32.5)**	**(5.7)**
Cash flows	(9.6)	1.4
Lease liability interest	–	(0.7)
31 March 2021	**(42.1)**	**(5.0)**

17. Related Party Transactions

The Company has made loans to LendInvest Warehouse Limited to fund a portfolio of loans. During the year to 31 March 2022, the Company made loans of £7.1 million (2021: £5.0 million) and received repayments in respect of loans of £2.7 million (2021: £5.2 million). The balance as at 31 March 2022 was £7.2 million (2021: £2.8 million). These loans are interest-bearing at 8% per annum.

£12.0 million (2021: £33.9 million) 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 2022 £'m	Year Ended 31 March 2021 £'m
LendInvest Funds Management Limited	4.6	6.0
LendInvest Capital Management Limited	–	–

18. Controlling party

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

Glossary

Alternative Performance Measures

In the reporting of financial information, the Directors have adopted various alternative performance measures ("APMs"). APMs should be considered in addition to IFRS measurements. The Directors believe that these APMs assist in providing useful information on the underlying performance of the Group, enhance the comparability of information between reporting periods, and are used internally by the Directors to measure the Group's performance, not necessarily comparable to other entities' APMs.

Platform AuM

The Group defines Platform AuM as the sum of (i) the total amount of outstanding loans and advances (including accrued interest, and gross of impairment provisions and fair value adjustments), as reported on an IFRS basis in the notes to the accounts in the Group's Financial Statements, and (ii) off-balance sheet assets, which represents the total amount of outstanding loans and advances (including accrued interest) that the Group originates but does not hold on its balance sheet, comprising those loans that are held by its off-balance sheet entities. Off-Balance Sheet Assets are not presented net of any impairment provisions relating thereto.

The Directors view Platform AuM as a useful measure because it is used to analyse and evaluate the volume of revenue-generating assets of the platform on an aggregate basis and is therefore helpful for understanding the performance of the business.

The following table provides a reconciliation from the Group's reported gross loans and advances.

Unaudited	Year Ended 31 March 2022 (£'m)	Year Ended 31 March 2021 (£'m)
Gross Loans and advances	1,214.9	1,029.3
Off-Balance Sheet Assets	931.2	544.0
Platform AuM	**2,146.1**	**1,573.3**

FuM

The Group defines FuM as the aggregate sum available to the Group under each of its funding lines. The Group's FuM are used to originate revenue generating Platform AuM. The Directors view the difference between the Group's FuM and Platform AuM as the headroom for future growth. A reconciliation from Platform AuM, which has been reconciled to IFRS measures above, to FuM is shown below.

Unaudited	Year Ended 31 March 2022 (£'m)	Year Ended 31 March 2021 (£'m)
Platform AuM	2,146.2	1,573.3
Committed funding available for lending	793.4	912.7
FuM	**2,936.6**	**2,486.0**

Glossary continued

Adjusted EBITDA

The Group defines Adjusted EBITDA as Group profit or loss before finance income, finance expenses, income tax, depreciation and amortisation, and exceptional items. The Directors view Adjusted EBITDA as a useful measure because it is used to analyse the Group's operating profitability, and shows the results of normal core operations exclusive of non-cash changes that the Group considers to be non-recurring and not part of the Group's core day-to-day business. The following table provides a reconciliation from the Group's reported profit for the period to Adjusted EBITDA.

Unaudited	Year Ended 31 March 2022 (£'m)	Year Ended 31 March 2021 (£'m)
Profit after taxation	**10.9**	**3.8**
Finance expense	0.4	2.2
Less: Hedging break cost		(1.8)
Finance income	(1.2)	–
Income Tax	3.3	1.1
Depreciation and amortisation	2.8	2.4
Depreciation of right of use asset	0.8	0.9
Interest expense – lease liabilities	0.5	0.6
Share-based payment charge	1.2	0.7
Exceptional operating expenses	1.6	0.8
Adjusted EBITDA	**20.3**	**10.7**

Diluted earnings per share

The Group defines diluted earnings per share as earnings per share adjusted to take into account the after income tax effect of interest and financing costs associated with dilutive potential ordinary shares and by the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

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