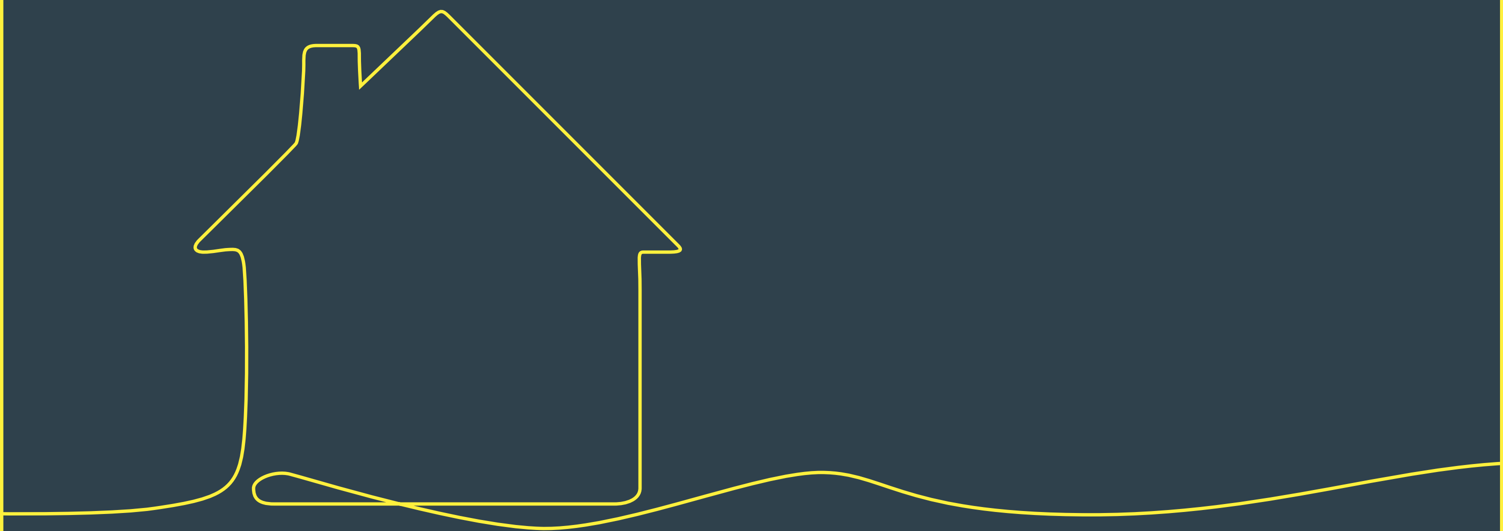
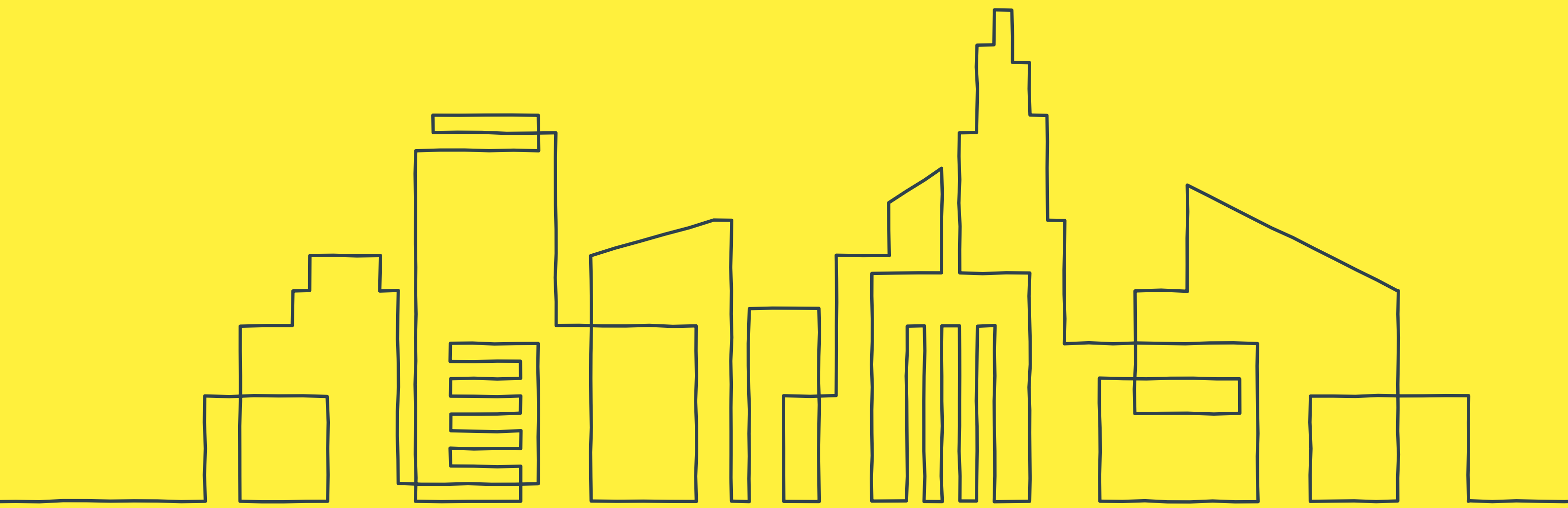
Mortgages made simple



LendInvest plc
Annual Report & Accounts 2023

We are a fintech mortgage provider making it faster and easier for customers to apply for a mortgage.

Our proprietary technology enables us to deliver better products, win market share and attract third-party capital for lending.



Contents

For the latest Investor news, visit our website / **www.lendinvest.com**

2023 highlights

Financial highlights

Platform AuM

£2.6bn

21%

2023	£2.6bn
2022	£2.1bn
2021	£1.6bn

Net operating income

£54.7m

8%

2023	£54.7m
2022	£50.5m
2021	£37.6m

Profit before tax

£14.3m

1%

2023	£14.3m
2022	£14.2m
2021	£4.9m

Basic EPS

8.3p

0%

2023	8.3p
2022	8.3p
2021	3.5p

Full year dividend per share

4.5p

2%

2023	4.5p
2022	4.4p
2021	n/a

1 See Glossary for an explanation of these terms and reconciliation back to IFRS measures.

Strategic highlights

- In December 2022, we successfully launched our residential mortgage product. This is a milestone in our development, underpins our future growth and fulfils an IPO commitment.
- We completed our first Residential Investment Portfolio Loan product which was launched in partnership with a US-based asset manager.
- Lloyds Bank, as a new source of Funds under Management[1] ('FuM'), committed £180 million to support the growth of our BTL business and £120 million to support our entry into the residential mortgage market.
- We secured an upsized commitment from J.P. Morgan from £725 million to £1,000 million and increased the investment period by three years.
- HSBC provided up to £100 million in funding for our development finance programme, supported by the British Business Bank's ENABLE Guarantee scheme. This allows us to continue to support SME house builders to help alleviate the undersupply of housing in the UK.
- We issued our third listed bond, the LendInvest Secured Income II plc 6.50% bonds due 2027, raising £38 million in the process with a further £22 million retained in treasury for future sale.
- We completed our fourth securitisation, which comprised £270 million of prime BTL mortgages with demand drawn from a broad range of institutional investors.
- We completed the sale of our residual economic interest in the Mortimer BTL 2020-1 securitisation for £7 million, in line with our strategy to increase the proportion of our Platform Assets under Management[1] ('AuM') managed for third parties.
- We are carbon neutral and launched our first Green Bond Framework aligned with the ICMA green bond principles.
- We opened our second UK office in Glasgow, providing access to a pool of talent with great industry expertise.

At a glance

Who we are

We are a fintech mortgage-provider whose proprietary technology makes it faster and easier for customers to apply for a mortgage. Our technology helps attract diverse sources of funds, offering capital providers exposure to segments of the UK mortgage market.

Our Values

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

Simple is best.
We relentlessly remove unnecessary complexity, for customers and ourselves.

Win together.
We are ambitious and foster a culture of collaboration, having fun and working as one to succeed.

Smart innovation.
We challenge the status quo and disrupt established ways to make positive change happen.

Get it done.
We deliver quickly and efficiently, then make things even better.

FY23 Funds under Management ('FuM')

£3.6bn

FY22: £2.9bn

FY23 Employees

275

FY22: 227

Our Vision

To revolutionise property finance

At LendInvest, our mission is to harness the power of technology to make mortgage applications fast and simple for everyone. Our deep industry expertise, proprietary technology and talented employees have combined to build the UK's leading platform for mortgages.

For borrowers

We make the process of applying for a mortgage simpler: fewer forms to fill or documents to copy and less time to wait for approval. Our platform delivers an entirely online, streamlined customer experience for our borrowers and intermediaries. Since inception we have lent more than £5 billion in mortgages and have helped to put thousands of new and regenerated homes into the UK housing market.

For investors

Through our unique proposition and in-house real estate finance expertise, we have built a truly international capital base, providing access to the UK mortgage market at scale and investment opportunities in more granular portfolios originated by our lending teams. Today, our funders and financial partners include pension funds, insurers and global financial institutions including Barclays, Citigroup, HSBC, J.P. Morgan, Lloyds Bank, and National Australia Bank.

Investment case

Our equity story centres around our innovative approach to mortgages utilising technology, data and strategic partnerships to deliver efficient lending solutions.

By focusing on risk management, underwriting and providing attractive investment products, we aim to revolutionise the UK mortgage market.

1

A tech leader among comparable mortgage platforms

We have invested more than £60 million in our proprietary technology platform. The broker user experience is market leading for specialist lending, underpinned by modern, cloud-based technology, delivering industry-leading reliability and scalability. We have more than 20 integrations to 3rd party data to automate our underwriting processes. The modular, flexible architecture enables a high rate of change, with zero downtime. We are well positioned to extend our technology capabilities to service wider segments of the UK mortgage market.

2

Significant growth opportunities

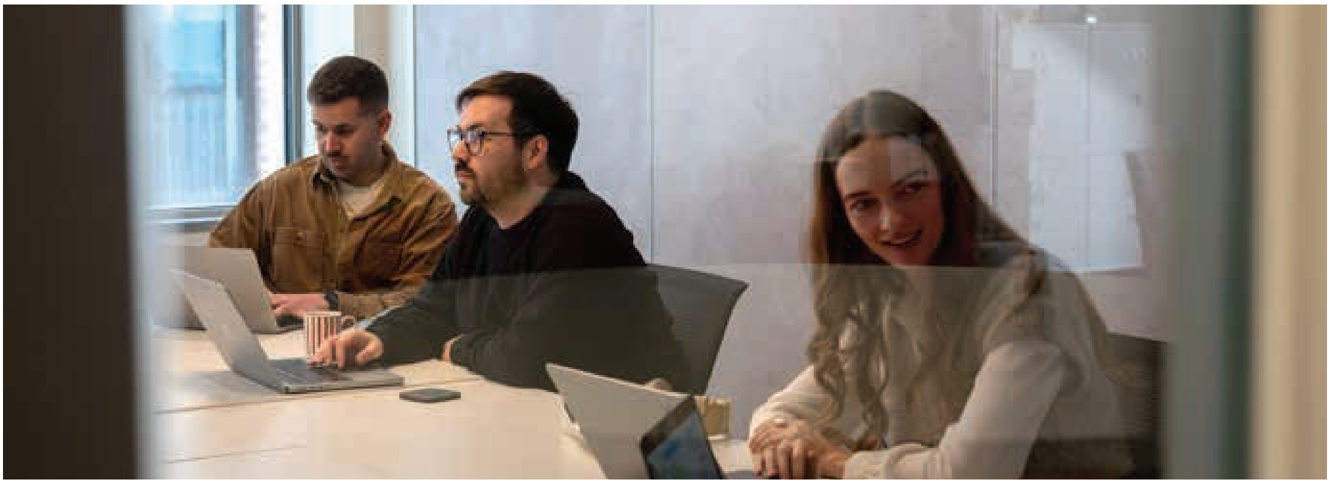
Our market share is approximately: 7% in bridging loans; 1% in development loans; 1% in professional BTL; and we have recently launched residential mortgages with a focus on specialist mortgages. We have £2.6 billion in mortgages outstanding out of a current addressable market of £250 billion – just winning market share is in itself a significant growth opportunity.

The mainstream residential mortgage market is a £1.1 trillion market opportunity, which we can address via a mortgages-as-a-service model; partnering with traditional lenders looking to access mortgages through our leading technology platform.

3

Diverse and scalable source of funds

We have established partnerships and collaborations to support our growth and expansion. These partnerships include working with global and local institutional investors and banks to fund loans and access capital markets. Most recently, Lloyds Bank, BNP Paribas, Chetwood and Wells Fargo have joined a growing list of global financial institutions choosing to back our mortgage products. Our success in engaging capital providers is reinforced by our track record in delivering attractive, optimised risk-adjusted returns that satisfy their expectations.



4

Track record of profitability and cash-generation

Despite our significant investment in technology, we have remained consistently profitable from an Adjusted EBITDA[1] perspective over the last seven years. We also generate robust cash flows.

We carefully monitor the amount of funds we have available for lending to ensure that we always have sufficient headroom for growth. Our goal is to effectively manage our lending activities in a manner that fosters sustainable growth. Last year, after evaluating the requirements of our business, we were pleased to reward our shareholders with a maiden dividend, reflecting our commitment to balancing the needs of the Company and the interests of our shareholders.

5

Superior customer experience

We are committed to leveraging technology to streamline the lending process and improve efficiency. Our digital platform enables borrowers to access finance quickly and easily, while also providing investors with opportunities to invest in property-backed loans. By utilising technology and data-driven decision-making, we aim to offer competitive rates, faster turnaround times, and a seamless experience for both borrowers and investors.

6

Limited credit exposure

We focus on risk management and strong underwriting standards. We employ a rigorous credit assessment process to evaluate loan applications, aiming to ensure that investments are backed by viable property assets and have appropriate risk profiles. By maintaining strict lending criteria and conducting thorough due diligence, we provide attractive risk-adjusted returns for our investors. Our weighted average loan-to-value across the portfolio is below 70%, providing protection against declining property values. We regularly review the maximum loan-to-value and adjust based on market conditions and future expectations.

Our current and new market segments present significant growth prospects. The synergy between our scalable technology and our motivated team provides a solid foundation for achieving robust future growth.

1 See Glossary for an explanation of this term and reconciliation back to IFRS measures.

Non-Executive Chair's Statement

Building on our **strong foundations**, we have continued to **innovate and grow the business.**

Christian Faes
Non-Executive Chair

FY23 FuM
£3.6bn
FY22: £2.9 billion

Dividend per share
4.5p
FY22: 4.4p

Dear Shareholders

It is my pleasure to present to you LendInvest's Annual Report for the financial year ended 31 March 2023, following our first full year as a listed business. When Ian Thomas and I founded the Company in 2008, we wanted to build a business that would revolutionise mortgage finance in the UK. This was a bold ambition, and we are proud of what we have achieved over the last 15 years.

Performance

I am pleased to report that LendInvest has made excellent progress during the year despite a challenging market backdrop. Building on our strong foundations, we have continued to innovate and grow the business.

We grew our FuM by 23% to £3.6 billion. We have always seen our diversity of funding as a source of strength for our business and a competitive advantage. This year, we continued to build on this position and I am extremely proud of the calibre of the financial institutions who continue to place their trust in us. BNP Paribas, Wells Fargo and Lloyds Bank have joined a growing list of global financial institutions choosing to back our mortgage products. Our success in engaging capital providers is reinforced by our track record in delivering attractive, optimised risk-adjusted returns that satisfy their expectations.

We have also continued our journey to become an even more capital-light origination and management platform. We completed the sale of our residual economic interest in two securitisations in line with our stated strategy to optimise FuM while selectively selling assets to third parties and continuing to manage them.

On the lending side, the combination of our technology and our exceptional team of talent has enabled us to grow across all product lines, with Platform AuM increasing by 21% to £2.6 billion. As the Bank Rate continued to increase, our pace of growth began to slow towards the end of the first half. Our growth story is about revolutionising the mortgage market. It's a multi-year, non-linear journey. As we experienced last September, macro headwinds will from time to time temporarily slow us down. At some point we may also benefit from tailwinds. Our technology and agility enables us to respond quickly to unforeseen events and adjust our course as necessary.

Strategic milestones

When we listed the business, we committed to using the proceeds to accelerate our technology roadmap and to develop products in other segments of the UK mortgage market. Our launch into residential mortgages – a market segment with more than £1.1 trillion of mortgages outstanding – was the source of much excitement (and hard work) across the business. Within this segment we are initially focused on individuals with multiple sources of income, small-business owners, and the self-employed who are underserved by traditional lenders – particularly, since the pandemic. In early 2023, we completed our first residential mortgage, a significant milestone for LendInvest.

Rewarding our shareholders

Our business model continues to demonstrate financial resilience and sustainable performance despite the ongoing macroeconomic and geopolitical uncertainty which fed into a slowdown in the UK property market. Profit before tax increased by 1% to £14.3 million, marginally ahead of guidance.

The Board seeks to balance the delivery of attractive shareholder returns with disciplined capital allocation. This means that dividend payments are weighed against maintaining balance sheet flexibility, ensuring healthy investment in innovative product development, and enabling us to pursue potential strategic opportunities. Last year we recommended a maiden gross cash dividend of 4.4p per share and announced plans for a progressive dividend policy.

The Board remains confident in the growth prospects of the business and, therefore, will recommend a final dividend of 3.2p per share resulting in a full year dividend of 4.5p per share subject to the shareholders' approval at the forthcoming Annual General Meeting.

We reluctantly say goodbye to Michael Evans who will step down as Chief Financial Officer and Executive Director on 31 July 2023. Michael's dedication, hard work and collaborative approach has been a key ingredient to our growth and success over recent years.

We thank him for all that he has done and wish him every success in his future endeavours. On 9 May 2023 we welcomed David Broadbent to LendInvest, who will work with Michael to transition responsibilities and will succeed him as Chief Financial Officer on 1 August 2023 in a non-board capacity. The Nomination Committee will consider David's appointment to the board at a later date, to be announced in due course.

As previously announced, I stepped down as Executive Chairman and assumed the role of Non-Executive Chairman from 1 January 2023. While I'm no longer engaged in day-to-day management, I am involved in policymaking, planning and looking after the interests of all our shareholders.

Looking ahead

We are proud of the progress we have made in our mission to transform mortgages in the UK, but we are only just beginning. We will continue to build on our achievements of the last few years, bringing our unique offering into new residential mortgage market segments. We remain mindful of the macroeconomic and industry backdrop, but are confident in the resilience of our business model and strong financial position. I look forward to the year ahead with great enthusiasm and optimism. We are well placed to grow long-term shareholder value through our unwavering focus on delivering a superior customer experience delivered by our highly skilled and motivated team. I would like to thank all of our employees, partners, brokers, shareholders and the other stakeholders who have worked closely with us to ensure our success.

Christian Faes
Non-Executive Chair

Market overview

The UK residential mortgage market encompasses several different forms of financing, including residential mortgages, development finance, bridging loans, and Buy-to-Let. At the end of 2022, the total value of UK homes was £8.7 trillion, accompanied by £1.7 trillion of mortgage debt. Mortgages are integral to the UK's housing infrastructure, with only 36% of homes owned outright.

Size and dynamics of the UK mortgage market

The UK mortgage market contributes significantly to the UK economy. However, the market has long been characterised by inefficiencies, inflexibility, difficulties in accessing capital, and a lack of transparency. The end-to-end mortgage application process is lengthy, complicated, and error prone. We believe that the market is ripe for disruption, and we are leading the way.

The dynamics of the market are influenced by various factors, including property prices, interest rates, changing regulation, and consumer demand. The housing market has remained remarkably resilient over the past decade, withstanding severe economic headwinds posed by Brexit, the coronavirus pandemic and the ongoing cost-of-living crisis.

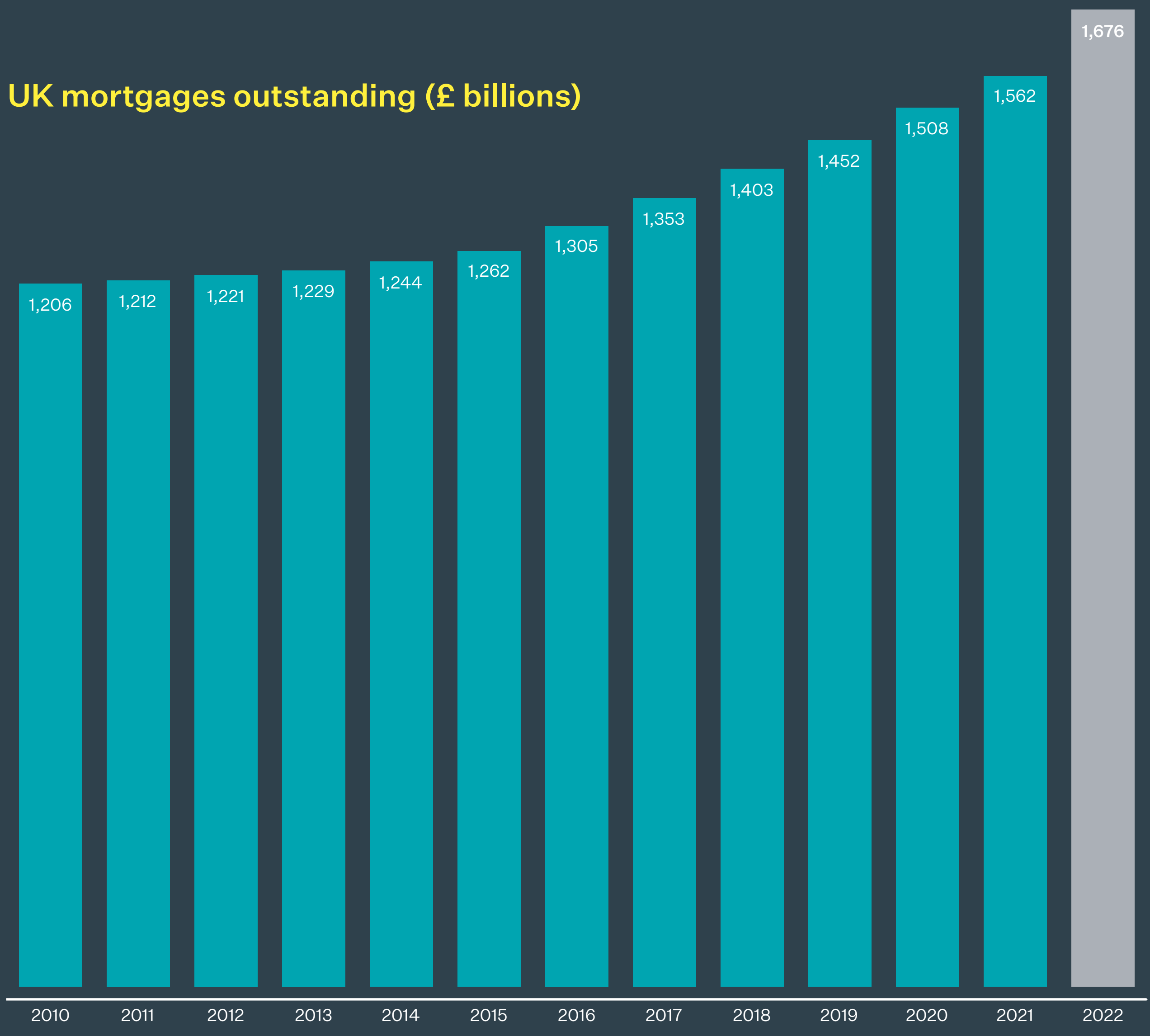
While interest rates are now at their highest level since 2008, they may not yet have peaked. This could increase the focus on affordability which may have a negative impact on valuations. Although this may be offset by the shortage of housing stock which may explain why various indices have only shown a limited fall in house prices so far. Nationwide recently noted that following tentative signs of improvement in April, annual house price growth softened again in May. In the near-term they expect to see housing market headwinds strengthening.

Fluctuations in property prices and interest rates can impact demand for financing and lenders' profitability. Regulatory and legislative reforms have had a profound impact on the UK housing and mortgage market. They have improved affordability, promoted responsible lending practices, helped to protect consumers, and addressed some market imbalances.

The market is highly competitive, with traditional lenders, such as banks and building societies, dominating. However, they largely operate with legacy, manual, lengthy and frustrating processes. Complexity also leads to a lack of transparency in the processes. There are particular difficulties in accessing capital for certain borrowers. These factors contribute to the market's vulnerability to disruption.

> The dynamics of the market are influenced by various factors, including property prices, interest rates, government policies, changing regulation, and consumer demand.

UK mortgages outstanding (£ billions)



Source: FCA.

Market overview continued

Mortgages play a crucial role in the overall housing market. They are the most prevalent method of financing property purchases in the UK. By providing access to substantial funds, mortgages enable people to fulfil their aspirations of home ownership.

Ripe for disruption

The UK mortgage market is ripe for disruption for several reasons:

Inefficient processes

Traditional lenders in the mortgage market often rely on manual underwriting and extensive documentation, leading to slow and cumbersome processes. The inefficiency creates frustration for borrowers and can result in missed opportunities. Disruptive technology can streamline these processes, automate underwriting, and provide faster loan approvals.

Limited access to mortgages

Access to mortgages has been a significant challenge for individuals with non-mainstream income sources or less-than-perfect credit histories. Disruptors can leverage technology and alternative data sources to assess creditworthiness more accurately, expanding access to capital for a broader range of borrowers.

LendInvest as a disruptor

LendInvest has emerged as a disruptor in the UK mortgage market, leveraging technology to address the market's inefficiencies and limitations:

Technological innovation

LendInvest has developed a robust technology platform that streamlines the lending process, providing a user-friendly interface for brokers to submit applications, upload documents, and track their progress in real time. We use data, digitally sourced from 3rd party services, to assess applications against our lending policies using our rules engine to automate underwriting processes.

Expanded access to mortgages

LendInvest has embraced alternative data sources such as open banking, to assess creditworthiness. This approach supports financial inclusion, allowing us to provide financing options to a broader range of borrowers who might have otherwise been excluded from traditional lending channels due to thin or incomplete credit files.

Lack of transparency

The complex nature of mortgage products often leads to a lack of transparency in the process, making it difficult for borrowers to fully understand where they are in their applications, as well as the terms and conditions of their loans. Technology can enhance transparency by providing immutable and transparent records of transactions, streamlining and automating loan agreements.

Increased transparency

Our proprietary technology delivers a market leading user experience for brokers, with clear and intuitive user journeys. Increased visibility into the application process, tracking of cases, and digital delivery of key documentation provides enhanced transparency for all parties. This fosters trust and helps us to build stronger relationships with borrowers and brokers.

Changing consumer expectations

Consumer expectations have evolved, driven by technological advancements in other industries. Borrowers today value convenience, speed, and personalised experiences. Disruptors can leverage technology to offer seamless digital experiences, personalised mortgage products, and faster mortgage approvals, meeting the evolving needs of borrowers.

Meeting changing consumer expectations

LendInvest recognises the importance of meeting evolving consumer expectations. Our technology-driven approach enables faster loan approvals, personalised loan products, and a seamless user experience. By prioritising convenience and speed, we have positioned the firm as a leader in catering to the changing needs of borrowers.

Conclusion:

The UK mortgage market plays a crucial role in the country's economy, but it requires changes to overcome inefficiencies, limited borrower access, and a lack of transparency. LendInvest has emerged as a game-changer in this industry by utilising technology to tackle these issues. Our innovative technology, increased capital accessibility, transparent solutions, and dedication to meeting evolving customer expectations are revolutionising the UK mortgage market. By disrupting and introducing new ideas, we are reshaping the market to make it more efficient, inclusive, transparent, and responsive to the demands of today's borrowers.

Chief Executive's Statement

While it has been a challenging year, it has also been a year in which we have made **significant strategic progress.**

Rod Lockhart
Chief Executive Officer

Overview

The past year has been one of significant strategic progress for LendInvest, despite the challenging market backdrop. I am delighted that we launched our first residential mortgage product range, a huge milestone in our development. We also achieved record levels of both Platform AuM and FuM while navigating a highly challenging macroeconomic backdrop, including rapidly accelerating inflation and eight increases in the Bank Rate.

The dysfunctional economic environment, in the aftermath of the mini-budget in September 2022, resulted in a gap in the mortgage market as rates increased to more than 6%, having been around 2% a year earlier and many lenders withdrew their products. This presented an opportunity for us to demonstrate in real time, the benefits of our agile working processes and a modern technology architecture. Unlike many of our competitors, we remained operational and swiftly launched products that were better suited for the new environment.

While mortgage rates reduced over the next six months, they have now surpassed the highs reached after the mini-budget as a result of worse-than-expected inflation data. This combined with a lack of market confidence in the plans to tackle inflation has pushed up interest rate swap rates. Until inflation begins to fall away more consistently, the markets may well continue to price in higher rates.

Financial progress

Platform AuM increased by 21% to £2.6 billion. This was driven by a 21% increase in Buy-to-Let Platform AuM to £1.8 billion and a 19% increase in short-term Platform AuM to £0.8 billion. I'm pleased to observe the growing momentum of our market-leading broker portal for short-term mortgages. There is significant potential to expand this product, especially as we consolidate all our products into a single portal and establish seamless transitions between products.

Net operating income increased by 8% to £54.7 million as we benefited from a 21% increase in BTL Platform AuM. This was partly offset by a 37% reduction in net fee income as we sold fewer loans to J.P. Morgan, as they no longer met minimum income levels due to the increase in swap rates.

In December 2022, we entered the residential mortgage market, a significant driver of our future growth and a demonstration of the Board's confidence in our ability to deliver value in the long term. The launch costs drove the 30% decrease in adjusted EBITDA to £14.3 million, followed by higher impairment charges. These also impacted PBT which increased by 1% to £14.3 million.

Strategic progress

This year, despite macro headwinds, we have remained true to our ethos as an innovative lender by delivering new tailored products to our customers to meet their changing needs. In October, we introduced a Tracker product range to provide more options to borrowers seeking to navigate market volatility and interest rate fluctuations. Shortly after, we unveiled our Stepped Bridge product, designed for borrowers seeking shorter-term finance with rate increases at intervals throughout the loan term. Our ability to swiftly provide new or adapted products based on our customers' evolving needs is underpinned by our proprietary technology.

We achieved a significant milestone in December 2022. Through a concerted company-wide effort, we successfully launched into the UK residential mortgage market.

This strategic move allows us to expand into a market segment that currently holds over £1.1 trillion of mortgages outstanding. Within this segment, our main focus lies in borrowers who are typically underserved by traditional lenders, specifically those with multiple incomes and self-employed individuals.

On the funding side, we continued to grow our capital base and diversify our FuM which increased by 23% to £3.6 billion.

Our strategic priorities include growing FuM from diverse sources and to manage an increasing proportion of Platform AuM for third parties (instead of assets held on the Group's balance sheet).

FY23 Platform AuM

£2.6bn

FY22: £2.1bn

FY23 Profit before tax

£14.3m

FY22: £14.2m

This limits the reliance on our balance sheet to fund our growth and reduces our credit risk exposure. In the first half of the year we: secured a new core funding partnership with Lloyds Bank; expanded our relationship with J.P. Morgan; completed our fourth securitisation; issued our third listed bond; migrated our Real Estate Opportunity Fund to a new structure (LendInvest Secured Income Fund II); called our first securitisation; and sold the residuals in our fourth securitisation.

In the second half of the year we raised: £100 million from HSBC to support SME house builders aiming to improve both the supply and quality of new homes in the UK (supported by the British Business Bank); and approximately £125 million from Lloyds (taking Lloyds' capital commitments to £300 million) to support underserved segments of the residential mortgage market.

Chief Executive's Statement continued

An effective ESG strategy

Our ESG values and principles are central to our long-term success. We recently commissioned a report to better understand our relative ESG market positioning against other similar organisations. We were pleased to see that we are well ahead of peers in terms of Board gender diversity; gender pay gap on most metrics; and our commitment to Net Zero. There remains more to do and we will continue to focus on these crucial areas in the months and years ahead.

We are fully committed to reducing our carbon footprint and I am proud to report that LendInvest is carbon neutral. In November 2022, we published a Green Bond Framework, aligned with the ICMA Green Bond Principles. Future proceeds from Green Bonds will be used exclusively to finance or refinance loans for eligible green projects, including the construction and purchase of assets compliant with the high energy efficiency standards in the UK property market, or enhancements to improve the energy performance of existing properties. Our Green Bond Framework is designed to accelerate the allocation of capital to eligible retrofit projects in the UK in an effort to decarbonise the UK's housing stock, which is responsible for 14% of total UK greenhouse gas emissions.

People and culture

Last year I announced several new senior appointments. I am pleased to say that the team is working well together and has focused on delivering our strategic objectives. Michael Evans will step down as CFO and as an Executive Director on 31 July 2023. I would like to thank Michael for his incredible contribution to the firm. We are sad to see him go and we wish him every success for the future. In his place, we welcome David Broadbent who joined the Company on 9 May 2023 and will succeed Michael as Chief Financial Officer on 1 August 2023 in a non-board capacity. The Nomination Committee will consider David's appointment to the board at a later date, to be announced in due course.

I would like to thank all our colleagues for their continued hard work and commitment to the Group.

Outlook

Looking back at our achievements in what was one of the most challenging years since the global financial crisis has reinforced my confidence in our ability to execute successfully on our strategic objectives, our long-term growth trajectory and the scope to optimise value for our shareholders.

Looking ahead we still face macro headwinds. Inflation is showing a slower decline than forecast, so interest rates look like they have not yet reached their peak. This is not a constructive backdrop for the UK property market and we expect property prices to continue to decline. We should acknowledge that, at present, the rental market is experiencing significant increases in rental prices, and certain landlords are seeking to seize this opportunity by expanding their portfolios.

Despite the challenges outlined above, we expect Platform AuM to maintain its current growth trajectory, primarily driven by the Mortgages division. In July 2023, we announced a new £500 million partnership with Chetwood Financial to fund residential mortgages. This new financial partnership will increase the proportion of Platform AuM managed on behalf of third parties.

We remain confident in the resilience of our business model, our ability to disrupt, to be agile and quickly respond to changing market conditions and to win market share. Whilst it is early days, momentum is building for our new residential mortgage product, a future contributor to our profitability. Gross income is expected to increase due to growth in Platform AuM and higher interest rates, which will also drive higher interest costs which will mute net operating income. We expect performance in FY 2024 will be heavily weighted towards the second half of the financial year, with the recently announced financial partnership underpinning a stronger competitive position.

We are committed to successfully executing our strategic initiatives and leveraging our competitive advantages. Our technology drives operational efficiency, enhances the customer experience, and differentiates us from competitors. Our talented and dedicated workforce is a crucial asset, enabling us to innovate, adapt, and deliver superior service to our customers.

We are confident in our plans and the measures that we have taken to address the prevailing business environment. While risks and challenges persist, we believe that our proactive approach, coupled with our strategic focus and deep industry expertise, will position us for sustainable growth and success in the coming years.

Rod Lockhart
Chief Executive Officer

Business model

Our business model revolves around indirectly connecting investors with borrowers in the UK property market. We leverage technology and data-driven processes to streamline the lending process, manage risk, reduce costs, and provide faster access to capital.

We are a fintech mortgage provider whose proprietary technology removes complexity from the entire application process. We make it faster and easier for customers to apply for a mortgage.

Applying for a mortgage has historically been characterised by rigid products, poor customer experience and manual, paper-based processes. We leverage technology to streamline the application and lending process providing faster access to capital.

In 2016, we expanded from short-term mortgages into development finance. The following year we launched our first BTL product. More recently, we decided to replicate our success in BTL, underpinned by our technology and people, in residential mortgages which we launched in December 2022.

What we offer our borrowers

LendInvest Mortgages

This division comprises our mortgage products:

Buy-to-Let mortgages
We provide Buy-to-Let (BTL) mortgages for those looking to invest in residential properties for rental purposes. These mortgages are designed to finance the acquisition or refinancing of properties that will be rented out to tenants.

Residential mortgages
One of our IPO commitments was to expand into other mortgage market segments and replicate the success we have had with our BTL products. Given our technology capabilities, underwriting skills and broker network, we identified an opportunity for borrowers with multiple sources of income, the self-employed and small-business owners who, given their complexity, are neglected by traditional banks. In December 2022 we launched our residential mortgage products. This will provide a tremendous long-term growth opportunity as we leverage our technology to make even the most complex of mortgage applications simpler and faster.

Short-term mortgages
We provide short-term mortgages to those who need a quick and flexible option to borrow up to £3 million repayable within 12 to 24 months.

LendInvest Capital

This division provides bespoke lending solutions:

Development Finance
Lending to experienced property developers to fund the redevelopment of an existing property or ground-up new builds.

Structured Property Finance
Lending to property companies for complex projects where they are actively managing or developing the underlying property.

Residential Investment Portfolio Loan product
For property investors who own multiple residential properties. This solution allows them to consolidate their existing residential properties loans into a single loan, streamlining their financial management.

Funding other lenders
Providing other property lenders with funding and access to technology.

A robust and sustainable lending ecosystem needs funding

Our lending business is supported by a diverse range of funding sources. These sources include institutional investors, banks, other financial institutions and individual investors. By leveraging multiple funding channels, we aim to maintain a robust and sustainable lending ecosystem.

Institutional investors

We raise capital from institutional investors such as pension funds, asset management firms and financial institutions. These investors provide significant funding to support the Company's lending activities. Institutional investors invest in co-mingled funds or separate accounts and are attracted to LendInvest due to our track record and the potential for attractive returns in property lending.

Securitisation

Loans we originate are bundled together and transformed into securities. These securities are then sold to institutional investors, providing us with upfront cash and ongoing fees while the investors earn returns from the loan payments.

Warehouse financing

Here we borrow against a pool of loans on a short or medium-term basis before they are securitised or sold to investors. This allows us to access immediate funds while building loan portfolios to be securitised or sold.

Private investors

Private investors can participate in investment opportunities by investing in our retail bonds or self-select funds. This allows certain qualified private investors to access the property finance market and earn returns on their investments.

Our revenue model

In any year the specific revenue mix and fee structure can vary based on various factors, including market conditions and the types of lending products we offer.

Net interest income

We earn interest income from the loans we originate and hold on our balance sheet.

We generate a spread or margin on the difference between the interest rate charged to borrowers and the cost of those funds.

Fee income on loans and advances

When we lend money we typically charge various fees in addition to the interest on the loan.

This can include extension fees if a loan goes beyond its initial term.

Fee income on asset management

We earn servicing fees for managing and overseeing assets on behalf of clients.

These fees are typically a percentage of platform AuM, or will be based on the performance of the fund during the period.

Fee income on origination of loans to third parties

We earn a fee for connecting borrowers with third-party lenders.

We evaluate the borrower's application and determine the feasibility and creditworthiness of the loan.

Net gains on derecognition of financial assets

We also generate revenue by selling loans to other financial institutions or investors. In some cases, after originating a loan, we may choose to sell the loan to another party, thereby transferring the risk associated with the loan while potentially realising a profit on the sale.

Q&A with Senior Management

"

LendInvest's mortgage platform leads in its more modern, modular, configurable, and flexible configuration.

Leading management consulting firm

Esther Morley,
Managing Director,
Specialist Residential

Peter Wallis,
VP of Technology

"

Building our own technology platform has enabled us to use our industry expertise to optimise the customer experience.

We will continue to evolve our proposition, and help customers attain their goal – home ownership with mortgages made simple.

Q. This year has been a milestone with the launch of Residential Mortgages, how meaningful is the entry into this new market for your teams?

Esther: Extremely! I joined the business to help shape and deliver the Residential Mortgage proposition, so to launch to market within the targeted 12 months has been a fantastic achievement for all involved.

Peter: Residential mortgages is the largest market within the UK real estate sector and the latest of the four major product verticals to launch for LendInvest, so for the technology team, there was a real sense of rounding out the product portfolio.

Q. Delivering this project from a technology perspective must have been challenging. What were some of the biggest challenges from your perspective?

Peter: Working in an agile way, the team completed over 850 individual tasks to deliver the features needed. Over two-thirds of the technology team were involved in the project at one point or another, so the sheer scale and resulting coordination required across the design, product, engineering, data and dev/ops teams was the main challenge. This was overcome by sticking to our core value of 'simple is best', focusing on flow and small incremental steps – albeit a lot of them.

Esther: Being given an almost blank page to design from. This launch was a great opportunity, but also challenging to know where to start! While the team had the core system designs in place, working with them to create the customer journey (and how to deliver information and choices at the right stage, while maintaining operational efficiency), was really rewarding.

Q. Considering the platform we have built – what is it that we're doing differently for customers?

Peter: Building our own technology platform has enabled us to use our industry expertise to optimise the customer experience – both for brokers and our own team – within our Genesys platform. This is achieved through a focus on maintaining a high velocity of software delivery and multiple production releases a day. We can continue to iterate features until we collect enough data that reflects we have achieved the required outcomes for the customer.

Esther: With the security of a broad funding base, we can focus on delivering the right products to market. LendInvest has invested in utilising technology to deliver improved outcomes. By building our own capability, and integrating with third-party technology service suppliers as much as possible, we are taking the administrative headache away from brokers and underwriters. An easy-to-use Broker Portal that interfaces directly with our case admin system means underwriters have everything they need at the touch of a button.

This allows our team to really focus on the customer and doing what's right for them. A good outcome for the customer, broker and the business.

Q. Is this something that you can see becoming an industry standard in the future?

Esther: Yes! Technology continues to evolve and lenders have to evolve with it to just keep pace. Those who don't will be left behind. Our platform really has the ability to continue to build and grow as more technological solutions develop, for example looking at how AI will develop over time. We now just need the rest of the lending ecosystem to catch up.

Peter: Product delivery in an engaged, agile way is the industry standard in many other industries, so there is no doubt in my mind that the mortgage industry will catch up and deliver the customer-first focus needed. With our componentised, service-based approach, LendInvest is well placed to drive these changes in the market and show how technology can be used to step-change the capabilities and sophistication of age-old practices.

Q. Where do you feel current industry incumbents may struggle to adapt with the 'technology race'?

Peter: The combination of organisational size (with all the process and governance that comes with it) and legacy technology, (that is slow and hard to change) will continue to hold the industry incumbents back.

This is further amplified by the historic M&A activity compounding the complexity of the often on-premise technology landscape. Contrast this with a cloud-only, elastic infrastructure, (scaled automatically on demand, with the ability to evolve it multiple times a day), and it's clear there is a seismic gap to close.

Esther: Often organisations that operate on legacy systems don't have the time or budget to jump multiple rungs of the ladder to get to where the leading platforms of today are. A straightforward solution for these organisations is to look to others that have made the investment and partner with them.

Q. Now that we are officially offering residential mortgages – what is next for your teams over the coming year?

Esther: Where to start? There are so many customers who are looking for help in attaining their dream, whether that be first-time buyers or those wanting to borrow in retirement – and many more customers in between. We will continue to evolve our proposition, and our investment in our platform, to deliver choices to these customers and help support them to attain their goal of securing home ownership with mortgages made simple.

Peter: The UK residential mortgages market is huge and we're just getting started. We will continue to iterate on the platform we have built, improving the capabilities and level of automation, as we look for more opportunities to help customers get the right mortgage for them.

Our strategy

Harness technology to disrupt one of the few remaining verticals in UK financial services.

To best tackle this problem, we have redefined our business operations into two divisions:

– LendInvest Mortgages which comprises our mortgage products. This includes BTL mortgages and residential mortgages and short-term mortgages.
– LendInvest Capital which comprises our investment products, (funds and our self-select platform) and more bespoke property finance solutions such as development and structured property finance.

The rationale behind dividing our product offering into these two divisions is to bring together the products that share the same characteristics. Across LendInvest mortgages we use similar processes for originations, loan management and technology. LendInvest Capital brings together our more complex products with bespoke processes. These usually need expert input and a people-centric relationship approach. It also allows us to better communicate with these two different audiences to deliver the highest quality customer experience for our borrowers, intermediaries and investors.

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.

Grow FuM

– J.P. Morgan increased their Separate Account by £275 million to £1 billion.
– Successfully closed our fourth RMBS (residential mortgage-backed securities) securitisation, comprising of £270 million of prime UK BTL mortgage loans.
– Agreed a new £300 million financial partnership with Lloyds Bank to support our entry into the UK's residential mortgage market.
– HSBC agreed to provide up to £100 million in funding for our development finance programme, supported by the British Business Bank's ENABLE Guarantee scheme.

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.

Use technology to enhance operating leverage

– Operational expenditure as a percentage of Platform AuM stayed constant at 1.3% despite the increased costs we experienced due to the wider inflationary economic environment.

Maintain profitability while investing for future growth

– PBT increased by 1% to £14.3 million in difficult and volatile market conditions whilst we invested in our future profitability through launching our new residential mortgages product.
– We opened our second office in the UK, in Glasgow, providing a pool of talented individuals and significant efficiencies versus Central London.

Making mortgages simple

Expand

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

Our technology also enables us to launch new products at scale, and penetrate markets that we do not yet operate in.

Broker repeat rates

- High repeat rates of >50% in the past 12 months.

New brokers to the platform

- 2,120 have registered on our platforms in the past 12 months, with 448 of the new brokers registered able to broker residential mortgages.

Invest

We continue to innovate and invest in our technology infrastructure, further improving the customer experience. Focus on technology development provides a platform for the launch of new products and offerings that will provide more growth opportunities for our business.

Accelerate technology roadmap

- New residential mortgages broker portal launched.
- Increased investment in technology – capitalised development costs rose by 95% to £6.3 million.

Grow in existing products

- Platform AuM increased by 21% to £2,587 million.
- The successful launch of our new bridging broker portal last year helped us achieve 47% year-on-year growth in short-term mortgage applications.

Launch new products

- Adapted to the wider market conditions with the launch of our first BTL variable rate tracker mortgage product.
- Expanded our product range into a new market segment – residential mortgages.
- Launched our Residential Investment Portfolio Loan product.

Strategy in action

Grow

Growing our global investor base with **new major funding partnerships.**

We continue to see strong appetite from global financial institutions to partner with LendInvest as a mortgage originator. During the year, J.P. Morgan upsized their separate account to £1 billion; we partnered with the government's British Business Bank and HSBC in a £100 million deal to fund our development lending; and we entered into a £300 million deal with Lloyds Bank to power our launch into the residential mortgage market and support our BTL product.

Diversity of funding remains our differentiator. In the same time period, we issued our third listed retail bond raising £38 million in the process, closed our fourth residential mortgages securitisation, and launched a new Fund to support our development finance product. These were all organised using the LendInvest Loan Engine which matches funding sources with loans of the most appropriate risk profile, ensuring optimal capital allocation.

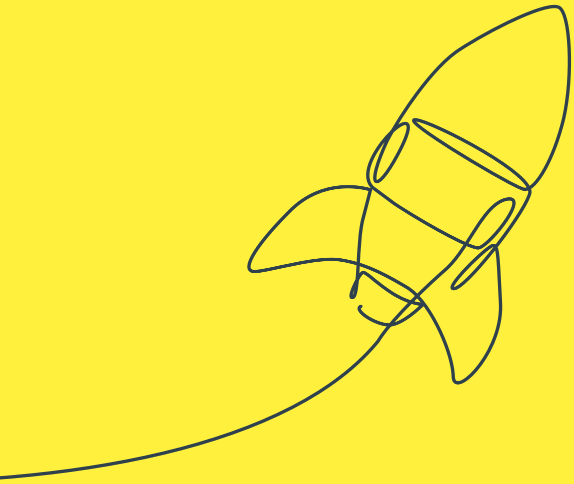
Expand

Expanding our product proposition and **entering new markets.**

Entering the homeowner market with the launch of our Residential Mortgages range has been a major milestone for the business. Designed for customers traditionally underserved by incumbent lenders, our product range targets those with multiple income streams, the self-employed and those with complex incomes.

The economy has undoubtedly tested all borrowers this year. As a result, the team prioritised designing products that support borrowers and the unique problems they may be facing at this time.

In October we launched a Tracker product range to support borrowers in response to market volatility and interest rate fluctuations. This was followed by our Stepped Bridge product, which provides rate increases at intervals throughout the term of the loan, for borrowers looking for shorter-term finance at an accessible initial rate. At the same time we also launched Automated Valuation Models (‘AVMs’) for a wider product range, increasing accessibility and flexibility for borrowers.



Invest

Investing in our platform, to deliver a **market-leading customer experience.**

Delivering innovative products at speed is made possible by the LendInvest Genesys platform. Throughout the year, the team has developed and released a range of new additions to the platform and customer portals, including the launch of the new Residential Mortgages product within the platform.

The team also released an integration that allows the broker to access a panel of solicitors and exchange key documents digitally, and implemented AVMs from Rightmove to speed up the valuation process.

Optimise

Optimising operations, to power our next stage of **growth.**

In September we opened our first office outside of London, in Glasgow, Scotland, and joined industry body Fintech Scotland. This marked an important milestone in the Company's expansion strategy to meet increasing borrower demand for our products across the whole of the UK, and we continue to grow our sales and operations teams in this office.

We have also continued to invest in and deliver on our ESG Strategy throughout the year. Following the launch of our first full 'green' mortgage range, developed to incentivise borrowers to build with the environment in mind, offering reduced rates for environmentally friendly properties, we launched a Green Bond Framework, with the support of global ratings agency S&P Global, and can now officially issue green bonds to finance our lending. This year, third-party ESG analysis company, Climate Impact Partners, declared LendInvest carbon neutral for the year FY2023.

Key performance indicators

Continued **growth** in **lending** through a challenging environment.

2023	£2,587.0m
2022	£2,146.1m

Platform AuM[3]

£2,587.0m

21% ↑

What we measure

In simple terms, Platform AuM is the outstanding 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 third parties.

How we performed

Platform AuM increased 21% to £2.6 billion driven by a 21% increase in BTL Platform AuM to £1.8 billion as we continued to release new products to help support landlords during a rising interest rate environment. Additionally, we have seen a 40% increase to £0.3 billion in bridging loans completed through the new broker portal that was introduced during December 2021.

2023	£3,605.9m
2022	£2,936.6m

FuM[3]

£3,605.9m

23% ↑

What we measure

In simple terms, FuM is the amount of money our investors have committed to us to invest into the UK mortgage 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 an indication of headroom for future growth.

How we performed

FuM increased 23% to £3.6 billion as we received funding from Lloyds to support the launch of our homeowner product, extended the J.P. Morgan Separate Account agreement and completed our fourth RMBS of £270 million BTL loans in May 2022.

2023	£54.7m
2022	£50.5m

Net operating income

£54.7m

8% ↑

What we measure

Net operating income includes income generated from interest on loans and advances, origination and loan fees, and asset management, fund and servicing fees net of the costs associated to this income. 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

Net operating income increased 8% to £54.7 million, reflecting higher fees and interest income generated as a result of the increase in Platform AuM, partly offset by a reduction in gains on derecognition of financial assets.

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.
3 Unaudited.

2023	£14.3m
2022	£20.3m

Adjusted EBITDA

£14.3m

30%

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 decreased by 30% to £14.3 million driven by higher non-exceptional administrative expenses – largely related to the launch of the new residential mortgage product, as well as higher impairment charges.

2023	£14.3m
2022	£14.2m

Profit before tax

£14.3m

1%

What we measure
The Group's profits before consideration of taxation.

How we performed
Profit before tax increased by 1% to £14.3 million. The challenging macroeconomic environment resulted in the Group suffering a reduction in net interest margin as interest costs grew faster than interest revenue.

2023	8.0p
2022	8.0p

Diluted EPS

8.0p

0%

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

How we performed
Diluted EPS was flat at 8.0p.

Financial review

Solid performance in a volatile market.

Michael Evans
Chief Financial Officer

Overview

In order to assist our stakeholders in understanding our financial statements and to be able to more easily compare them to our peer group, we have updated the layout of our Consolidated statement of profit and loss. This separately shows net interest income recognised under IFRS 9, net fee income recognised under IFRS 15, net gains on derecognition of financial assets, and net other income. This new presentation helps to split income generated from assets held on our balance sheet from those managed on behalf of third parties. See note 1.6 for further details.

Buy-to-Let Platform AuM

£1.8bn

21% ↑

Short-term Lending Platform AuM

£768m

19% ↑

Summary Consolidated statement of profit and loss[2]

	Year to 31 March 2023 £'m	Year to 31 March 2022 £'m	Increase/ (Decrease) %
Net interest income	38.4	26.4	45
Net fee income	11.2	17.8	(37)
Net gains on derecognition of financial assets	4.9	6.3	(22)
Net other income	0.2	–	–
Net operating income	**54.7**	**50.5**	**8**
Administrative expenses	(34.5)	(31.9)	8
Impairment losses on financial assets	(5.9)	(4.4)	34
Total operating expenses	**(40.4)**	**(36.3)**	**11**
Profit before tax	**14.3**	**14.2**	**1**
Income tax charge	(2.9)	(3.3)	(12)
Profit after taxation	**11.4**	**10.9**	**5**
Earnings per share for profit attributable to the ordinary equity holders of the Group:			
Basic earnings per share (pence/share)	8.3	8.3	0
Diluted earnings per share (pence/share)	8.0	8.0	0
Adjusted EBITDA[1]	14.3	20.3	(30)
Platform AuM[1]	2,587.0	2,146.1	21

1 See Glossary for an explanation of this term and reconciliation back to IFRS measures.
2 The presentation of the income statement has been updated in these accounts, see note 1.6 for further details on this change.

Net interest income increased by 45% to £38.4 million (2022: £26.4 million) primarily driven by strong growth in our BTL Platform AuM which increased by 21% to £1.8 billion (2022: £1.5 billion) taking total Platform AuM to £2.6 billion (2022: £2.1 billion). Net interest income is recognised on loans and advances held on the balance sheet and for BTL it decreased by 22% to £0.8 billion (2022: £1.0 billion). However, we completed the sale of the residual economic interest in two of our securitisations, which led to the derecognition of £280 million of BTL loans in August 2022, and an additional £212 million of loans in March 2023. These assets contributed net interest income prior to derecognition.

Net interest income also benefited from a £9.2 million gain recognised on the exercise of the call option in our first securitisation, Mortimer BTL 2019-1 plc. The issued securities (loan notes) designated in a cash flow hedge were settled and derecognised, resulting in the derivative fair value gains previously deferred in the cash flow hedge reserve (OCI) being recycled to the P&L.

Net fee income decreased by 37% to £11.2 million (2022: £17.8 million). This was largely driven by a 71% decrease in net fees on origination of loans to third parties to £2.0 million (2022: £6.8 million). The decline in loan sales to J.P. Morgan was the main factor behind this reduction as these loans failed to meet the required minimum income levels due to the increase in swap rates.

Additionally, there has been a 17% decrease to £8.0 million (2022: £9.6 million) in net fees on asset management due to performance fees not being received from our Luxembourg-based real estate funds (2022: £0.8 million) as investors did not receive minimum income levels due to higher levels of impairment provisions in the fund. Finally, a 12% decrease to £2.9 million (2022: £3.3 million) in fees received from the self-select platform was due to slightly higher rates paid to investors, reflecting the wider economic backdrop.

Net gains on derecognition of financial assets decreased by 22% to £4.9 million (2022: £6.3 million). The volatile market backdrop, resulted in the origination of fewer structured bridging and development loans which would normally have been sold to our Luxembourg real estate funds.

Administrative expenses increased by 8% to £34.5 million (2022: £31.9 million), or by 14% if the prior year exceptional costs relating to the listing on the London Stock Exchange are excluded. This increase reflects the investment we have made in our people during the year as we have built the infrastructure to launch our new residential mortgage product.

Impairment losses have increased by 34% to £5.9 million (2022: £4.4 million). More than 90% of the charge in the year related to two legacy defaulted loans as those positions deteriorated materially given the economic backdrop. We have seen a 25% increase in loans in stage 2, as some borrowers have shown signs of credit deterioration, reflecting the weaker macroeconomic conditions over the year. The impairment increases related to this were largely offset by impairment releases as loans were derecognised from our balance sheet.

Financial review continued

In line with the guidance we provided in October 2022, profit before tax is consistent with 2022 at £14.3 million (2022: £14.2 million). This reflects: lower lending levels; net interest margin compression, as our funding rates increased more rapidly than our lending rates, driven by fast-rising interest rates; and higher administrative expenses, linked to building the headcount and infrastructure for our new residential mortgage product, including ongoing costs incurred prior to launch. It has been partially offset by higher net interest income, which increased 45% to £38.4 million (2022: £26.4 million).

Profit after tax increased by 5% to £11.4 million (2022: £10.9 million). The effective tax rate in the year was 20% which is slightly higher than the corporate tax rate of 19% due to an adjustment for an under provision of deferred tax in the prior year.

Adjusted EBITDA decreased by 30% to £14.3 million (2022: £20.3 million), primarily driven by higher non-exceptional administrative expenses and impairment losses.

Basic earnings per share was flat at 8.3p per share (2022: 8.3p per share) and diluted earnings per share was also flat at 8.0p per share (2022: 8.0p per share).

Buy-to-Let Lending

Platform AuM for BTL products increased by 21% to £1.8 billion (2022: £1.5 billion). The interest rate swap curve saw a sharp rise in H1 FY23, which prompted us to raise our lending rate accordingly. As previously indicated, this in turn affected demand in H2 FY23. We continually diversify our partnerships with various financial institutions and in July 2023, we announced a new £500 million partnership with Chetwood Financial to fund our BTL and residential mortgage origination products.

This will strengthen our proposition and result in future BTL lending being predominantly sold to third parties. Considering the current market conditions, we anticipate a rise in demand in H2 FY24 as we expect more balanced competition between lenders with retail deposits and those without.

Net operating income from BTL grew by 38% to £36.6 million (2022: £26.5 million). The increase was driven by higher net interest income, increasing by 78% to £29.7 million, partly due to higher gross interest received on loans with interest income calculated using the effective interest rate increasing by 27% to £42.9 million (2022: £33.9 million). Additionally, other interest and similar income increased by 325% to £5.1 million (2022: £1.2 million). This reflects mark-to-market gains from pipeline hedges generated as swap rates sharply increased during the year to 31 March 2023.

Lending product highlights

	Year to 31 March 2023				Year to 31 March 2022		
	Short-term lending £'m	BTL £'m	Central £'m	Total £'m	Short-term lending £'m	BTL £'m	Total £'m
Statement of profit and loss:							
Net interest income	8.7	29.7	–	38.4	9.7	16.7	26.4
Net fee income	8.1	3.1	–	11.2	11.7	6.1	17.8
Net gains on derecognition of financial assets	1.1	3.8	–	4.9	2.6	3.7	6.3
Net other income	–	–	0.2	0.2	–	–	–
Net operating income	**17.9**	**36.6**	**0.2**	**54.7**	**24.0**	**26.5**	**50.5**

	As at 31 March 2023			As at 31 March 2022		
	Short-term lending £'m	BTL £'m	Total £'m	Short-term lending £'m	BTL £'m	Total £'m
Platform AuM* (unaudited)	767.7	1,819.3	2,587.0	646.0	1,500.1	2,146.1
Statement of financial position						
– Loans and advances	329.9	793.0	1,122.9	186.5	1,022.6	1,209.1

* See Glossary for an explanation of this term and reconciliation back to IFRS measures.

Interest expense for BTL has remained consistent at £18.3 million (2022: £18.4 million); this is largely due to a £9.2 million gain recognised through interest expense from the exercise of the call option in our first securitisation, Mortimer 2019-1 BTL plc. This large gain was linked to the rise in interest rates over the years and offsets a corresponding increase in interest expense across the rest of the portfolio.

Loans and advances decreased by 22% to £793 million (2022: £1,023 million). During the year, we sold the residual economic interest in two of our securitisations, leading to the assets being derecognised at that point. These comprised £280 million of BTL loans in August 2022, and an additional £212 million of loans in March 2023.

Short-term lending

Short-term Platform AuM increased by 19%, driven by the successful launch of the broker portal in December 2021 and an increase in lending, specifically on short-term mortgages (bridging loans up to £3 million), which the portal is focused on. This is also reflected in the 77% increase in loans and advances as those loans are usually funded on our balance sheet.

Net interest income decreased by 10% to £8.7 million (2022: £9.7 million). The Group does not hedge its variable funding due to the short-term nature of the loans.

As funding costs rose more quickly than the commensurate increases in borrower rates during the year, this resulted in lower net interest income. This is expected to improve as interest rates stabilise. Net fee income decreased by 31% to £8.1 million (2022: £11.7 million). This is largely due to £2.8 million lower fees generated from our Luxembourg funds through lower management and performance fees, as well as share creation fees due to lower investment raised into the funds. Net gains on derecognition of financial assets decreased by 58% to £1.1 million (2022: £2.6 million) as fewer loans have been sold to the Luxembourg funds compared to the prior period.

Cash and cash flow

Cash and cash equivalents decreased by 60% to £46.7 million (2022: £118.2 million). £33.0 million of the £71.5 million reduced balance is restricted for loan funding purposes.

The remaining cash balance decreased 65% to £13.7 million (2022: £39.4 million). This decrease is linked to an increase in our balance sheet lending, whereby we co-invest between 5–8% of our own cash alongside any of our financial partnerships. This accounts for £18.6 million of this reduction during the year. We completed a portfolio sale of £250.0 million of BTL loans in May 2023, which released some of this equity back into the business for future lending.

	Year to 31 March 2023 £'m	Year to 31 March 2022 (restated) £'m
Net cash outflow from / (used in) operations	1.3	(147.9)
Net cash outflow used in investing activities	(8.5)	(3.4)
Net cash inflow (used in) / from financing activities	(64.3)	207.3
Net (decrease)/increase in cash and cash equivalents	(71.5)	56.0
Cash and cash equivalents at beginning of the period	118.2	62.2
Cash and cash equivalents at end of the period	46.7	118.2

FY23 Net operating income

£54.7m

FY22: £50.5m

Diluted EPS

8.0p

FY22: 8.0p

Additionally, we paid £7.9 million of dividends during the year (2022: nil), £6.1 million related to the prior full year dividend and £1.8 million as an interim dividend for the year ended 31 March 2023.

Dividends

The Board remains confident in the growth prospects of the business and, therefore, will recommend a final dividend of 3.2p per share resulting in a full year dividend of 4.5p per share subject to the shareholders' approval at the forthcoming Annual General Meeting.

If approved, the final dividend will be paid on 13 October 2023 to shareholders on the register at close of business on 15 September 2023. The shares will go ex-dividend on 14 September 2023.

Michael Evans
Chief Financial Officer

ESG

Our ESG values and principles are central to our long-term success

Our ESG strategy, endorsed by the Board, ensures that our business activities are carried out with careful consideration and responsibility. This approach aims to create sustainable long-term value for all our stakeholders.

Highlights

38%
of board directors are female

15
years supporting underserved segments of property lending

CarbonNeutral
and working towards net zero

Our ESG Strategy is guided by the UN's Sustainable Development Goals ('SDGs') and the QCA Code. The QCA Code sets a minimum standard of best practice for corporate governance, particularly for AIM companies.

Environment

- 7 Affordable and Clean Energy
- 11 Sustainable Cities and Communities
- 12 Responsible Consumption and Production
- 13 Climate Action
- 15 Life On Land

Social

- 3 Good Health and Well-Being
- 5 Gender Equality
- 8 Decent Work and Economic Growth
- 10 Reduced Inequalities

Governance

QUOTED COMPANIES ALLIANCE

ADDIDAT ADDITIVE DATA

Our approach to reducing our impact on the Environment

We acknowledge the significance of our influence on the environment and our approach to addressing climate change, energy usage, water resources, waste and pollution.

This recognition is important to our stakeholders, and we take pride in our carbon-neutral certification. Furthermore, we aim to assist our customers in their personal endeavours by making environmentally friendly choices more accessible and assisting them in making decisions that prioritise the well-being of our planet.

Our progress

Operating platform

- Certified CarbonNeutral®.
- Digital ways of working have cumulatively saved since our IPO:
  Carbon emissions: 93,578lbs
  Water: 553,651 litres
  Wood: 39,867lbs
  Waste: 6,478lbs.
- London HQ rated EPC B and rated 'Excellent' under BREAAM.

Asset management

- FY23 – More than 50% of BTL on 'EPIC' products.
- Member of the Green Finance Institute.
- Published a Green Bond Framework with a Second Party Opinion from S&P.
- Since inception, £2.7bn lent through property products that retrofit UK homes.
- Commitment to build new homes with stronger environmental credentials.

Social – being a responsible member of society

We value our engagement with colleagues, clients, suppliers, stakeholders and the communities where we work. Our goal is to cultivate a workforce that possesses expertise, flexibility, and a forward-thinking mindset to foster sustainable growth in our business. We acknowledge that social mobility is a specific concern in terms of diversity and inclusion, particularly in financial services. We understand that by prioritising the well-being of our employees, they, in turn, will provide excellent care for our customers and contribute to the success of our business. While we take pride in our achievements, we recognise that there is always further progress to be made.

Our progress

- Gender pay gap: better than peer group* on most metrics.
- Board diversity: better than most of peer group*.
- BAME: more than 20% of employees.
- Female: 40% of management.
- Apprenticeship Scheme.
- Office vibe: 7.8 out of 10.
- Glassdoor rating: 4.7 out of 5.

* As benchmarked by a leading ESG benchmark provider to the AIM Market.

Our approach to Governance

We emphasise ethical behaviour in various aspects of our operations. This includes the following:

Corporate Governance Framework: We place great importance on establishing and maintaining a robust corporate governance framework. This involves implementing policies and practices that address issues such as bribery, corruption, and money laundering risks. We strive to adhere to high ethical standards in all our business dealings.

Cybersecurity: We recognise the significance of protecting sensitive information and maintaining the security of our digital infrastructure. We invest in robust cybersecurity measures to safeguard our systems and data from unauthorised access, breaches, and cyber threats.

Due Diligence: We conduct thorough due diligence processes to ensure that we engage with individuals and organisations that align with our ethical values and standards. We take proactive steps to verify their reputation, track record, and adherence to ethical business practices.

Onboarding Policies and Procedures: Our onboarding policies and procedures are designed to ensure that individuals joining us uphold our ethical standards and principles. We provide clear guidelines and training to familiarise new employees with our code of conduct, policies, and procedures.

Transparency of Reporting Procedures: We prioritise transparency in our reporting procedures. We encourage open communication channels for employees to report any unethical behaviour, compliance concerns, or potential violations. Whistleblower mechanisms and anonymous reporting options are in place to protect individuals who raise legitimate concerns.

By integrating these ethical considerations into our business operations, we strive to maintain integrity, accountability, and responsible conduct throughout our organisation.

Our progress

- Accredited for Cyber Essentials and Cyber Essentials Plus.
- Executive level ESG committee.
- Servicer Quality (SQ) SQ1 ARC rating (maintained since 2015).
- Board independence ratio – 50%

Section 172 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 well-being of our employees is considered as part of our decision-making processes. We strive to create a diverse, equitable and inclusive 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.

Our strong leadership team is dedicated to creating a supportive and safe work environment for all employees. We offer a versatile hybrid working model that promotes work-life balance and flexibility. We invest in the continuous professional development of our employees. We also provide opportunities for internal mobility which enable individuals to grow their careers.

How we engage with our employees

We hold monthly Company updates. These meetings 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 lunchtime seminars providing an opportunity for individuals and teams to showcase their work and talent across the Company.

Shareholders

Why our shareholders are a key stakeholder

As a company listed on the AIM segment of the London Stock Exchange, we need to communicate clearly and effectively with our existing and prospective shareholders to develop their understanding of how the Group's businesses and portfolios are managed to generate sustainable returns and long-term success.

How we engage with our shareholders

We engage with our shareholders through various routes such as the publication of the Annual Report and Accounts, the Annual General Meeting, RNS announcements and our corporate website.

The Board is provided with regular feedback on investors' views and market developments and also receives monthly reporting on shareholder trading.

The Investor Relations team organises regular face-to-face and virtual meetings with existing and prospective investors. Investors also have the opportunity to attend investor presentations and roadshows across the country.

Section 172 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.

In the last year we have facilitated broker workshops held by an independent third party to gain honest feedback on our service, what could be improved and what works well.

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

As we continue our expansion into regulated lending, we have designed our communications, products and services with the end customer in mind, ensuring they provide fair value and meet our target customers' needs. We have built the customer journey to ensure customers are centred in the process. Where proportionate, we have harmonised these processes across our unregulated products.

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:
- Climate Impact Partners, specialists in carbon market solutions for climate action, who have helped us achieve our goal of becoming carbon neutral;
- The Green Finance Institute to support best practice for green finance and the international transition to a sustainable net zero carbon economy, and to enable us to participate in the Coalition for Energy Efficiency for Buildings;
- MIND, for whom our employees raised £20,000 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. As an example, we actively engaged the regulator in the lead-up to our residential mortgages launch in December 2022. 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, the latest example being the progress of our Consumer Duty project.

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

Board decisions

Opened a new office in Glasgow

Stakeholder considerations and outcomes:	We opened an office in Glasgow, Scotland, in September 2022 and joined industry body Fintech Scotland as part of our commitment north of the border. Glasgow provides a deep pool of talent. We expect to grow more efficiently versus maintaining a sole office in Central London. We have identified a Director of Lending Operations who will lead our business in Scotland and support further migration of operations to Scotland. The Glasgow office will principally be used for underwriting, financial administration and customer service roles but we do also already have Scottish employees in technology, sales and risk. The office already comprises 25% of our BTL Lending Operations teams.

Community and the environment	The second office provides the local community in and around Glasgow with employment opportunities.
Employees	The opening of a second office provides a choice of location for employees with focus away from London and support to attract new talent with industry expertise from different backgrounds.
Shareholders	A more efficient and scalable operating model will allow us to deliver long-term sustainable and profitable growth.

Board decisions

Launched residential mortgages

Stakeholder considerations and outcomes:	In December 2022, we launched our residential mortgages to meet the needs of homebuyers ill served by more mainstream lenders: especially after a challenging few years which may have impacted credit histories, and those working in the public sector who need a bit more assistance to get on the housing ladder. The launch approach was deliberately phased to ensure we were confident in our systems, processes and people as we built distribution and volume. In doing this we were able to protect our customers from potential harm by ensuring all aspects of our proposition were robust and delivered as expected. This approach also allowed us to develop the proposition further based on live feedback from the brokers.

Customer	The new product and proposition provides additional choice and options for customers in the specialist mortgage space, creating more competition. We designed the proposition around the target market's specific needs and requirements supporting their journey to home ownership and ensuring good customer outcomes.
Employees	Our continued investment to deliver on our strategy helps to motivate our employees across the business, demonstrating the long-term view being taken despite the challenging environment currently being faced.
Shareholders	We believe that this will benefit shareholders as we will grow our Funds under Management ('FuM') and support a new product in line with the financial plan. The launch of residential mortgages will support LendInvest in the medium to long term and deliver future returns for shareholders.

Principal risks and uncertainties

Risk overview

Risk Management Structure

1st line of defence (Business Operations):

- Day-to-day risk management;
- Design and operation of processes and controls;
- Management of risks aligned to policy requirements;
- Risk and Control Self Assessments; and
- Incident management and risk mitigation.

2nd line of defence (Risk and Compliance):

- Development and maintenance of enterprise risk management framework;
- Reporting versus our enterprise-wide framework and Board-approved Risk Appetite;
- Oversight of incident management arrangements and root cause analysis;
- Delivery and coordination of Risk and Control Self Assessments;
- Deep dive reviews, determined by risk profile;
- Advice and assurance to senior management through monitoring; and
- Supporting the first line to ensure risks are proactively identified and managed.

3rd line of defence (Internal Audit):

- Undertakes independent oversight activity aligned to a plan approved by Board; and
- Aims to cover all material risk areas over a three year planning cycle.

Introduction and culture

The day-to-day operations of the Group give rise to a range of financial and non-financial risks, each of which are owned and managed by a member of the Executive Committee. The management of these risks aims to ensure that the outcome of any risk-taking activity is consistent with our strategy, the Board risk appetite, and is compliant with current and developing regulation.

In this way, risk management also seeks to achieve an appropriate balance between risk and reward in order to optimise returns and, where issues arise, to manage the best outcome for the Group and its customers.

We have adopted a 'Three Lines of Defence' model to separate risk management activities between those responsible for risks and controls, independent oversight support and challenge, and internal audit assurance. We also have an Enterprise Risk Management Framework that formally documents the Society's structure for managing risks and the Board Risk Appetite. The Board is accountable for maintaining a policy of continuous identification and review of the principal risks we face which could threaten its future performance or business model. The Board delegates its risk oversight to the Audit & Risk Committee which reviews the effectiveness of LendInvest's risk management processes throughout the year.

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 appetite

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 our 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

A set of principal risk types to which we are exposed through its activities have been identified. 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

The Risk Framework sets out expectations on colleagues for the identification, measurement and control of our key risks. We continue to undertake a structured programme of Risk and Control Self 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.

Principal risks & uncertainties

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. Specific emerging threats and opportunities are considered 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 and uncertainties continued

Principal Risks

	Strategic risk	Liquidity, funding and market risks	Credit and concentration risk
What is it?	The risk that achievable volumes or margins decline relative to the cost base, affecting the sustainability of our business and the ability to deliver the strategy.	The risk we are unable to meet our obligations as they fall due or are adversely hit by market rate or price movements.	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 macroeconomic, geopolitical, industry, regulatory or competitor environment.	Unexpected liquidity outflow or mismatch and/or difficulties in accessing funding. Sudden changes in volatility in market values.	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 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, are appropriately priced and represent fair value. • We benchmark our technology and processes to ensure our infrastructure meets the needs of customers, brokers and broader stakeholders. • We undertake sensitivity and stress analysis on key assumptions in the financial forecast.	• We monitor a suite of KRIs and limits aligned to the drivers of liquidity, funding and market risks with triggers in place for escalation. • Requirements are built into our planning process. • Continued diversification of funding sources to both underpin our assets and support working capital requirements.	• We make conscious lending decisions aligned to policy, considering both the suitability of the product, the ability to repay and ensuring pricing is reasonable compared to the overall benefits a customer will receive. • Credit decisioning based on data from a number of different sources, internal expertise and the existence of development track record. • Stress testing of the long-term credit portfolio leveraging IFRS9 models.

Conduct and compliance risk	Capital adequacy risk	Operational risk
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 or entities are used to facilitate financial crime.	Holding insufficient capital to absorb losses in normal and stressed conditions or the ineffective use of capital.	Losses or disruption resulting from inadequate or failed processes, people and systems or from external events.
Failure to understand the needs of our customers or to ensure products or services represent fair value compared to the overall benefits they can expect to receive. Failure to recognise and/or implement legislative or regulatory requirements such that there is a breach of such requirements.	Changes in economic conditions or regulatory requirements may impact on the level of capital resources required.	Inadequate processes or internal controls may result in poor customer outcomes, service disruption, reputational damage and/or financial losses.
• Our Compliance function. • 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. • Policy, procedure, guidance and training. • Delivery of the Consumer Duty implementation plan.	• Target requirements for level of capital to be held. • Monitoring of capital position, with triggers in place for escalation. • Third party review of capital planning assumptions and alignment to regulatory requirements. • We undertake sensitivity and stress analysis on key assumptions in the financial forecast in order to understand the impact on PBT and Capital.	• 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. • Benchmarking versus external best practice and standards (technology and security).

Principal Risks continued

Strategic risk

Movement in risk profile

Trading performance was inevitably impacted through the year as Bank Rate continued to increase. This was compounded by the market reaction to the Government's Growth Plan (also known as the mini-budget) in late September 2022. Despite this we continued to see growth across all our key product categories and we launched our first residential mortgage product, further diversifying our product offering. We continue to invest in the technology platform to further strengthen our competitive advantage and differentiate ourselves in what continues to be a very competitive market.

Changes in 2022–23

- Launch of residential mortgages product and associated in-house technology.
- A range of enhancements to our processes and technology to provide Brokers and customers with a better experience.
- Rising rate environment placing pressure on margin and impacting customer affordability and demand.

Liquidity, funding and market risks

Movement in risk profile

We have continued to see rates and inflation rise throughout the year; however, market conditions and outlook are considered less volatile than 12 months ago. While we continue to see impacts on the cost and normal operation of funding mechanisms, there is resilient demand from a range of sophisticated investors. The business continues to monitor the level of headline pricing, the size and nature of pipeline commitments and ensuring refinancing transactions and contingencies are developed on a timely basis.

Changes in 2022–23

- Completed our fourth RMBS securitisation of prime UK Buy-to-Let mortgages.
- Further diversified and grew our funds under management through a new £300 million financial partnership with Lloyds Bank to support entry into the residential mortgage market.
- Partnered with the British Business Bank and secured £100 million in funding from HSBC to support the growth of our development finance business.

Credit and concentration risk

Movement in risk profile

In an environment of rising interest rates and cost pressures for both new and existing borrowers, the Group continues to ensure that high standards of prudent lending are maintained. While further interest rate increases are likely to be more limited going forward, the full effect of cost-of-living pressures are still to be observed across many long-term credit portfolios. Early arrears performance has remained resilient over the period; however, risks remain and the importance of ensuring appropriate forbearance solutions has been and will continue to be an important area of focus.

Changes in 2022–23

- Development of lending criteria and affordability assessments to support the launch of residential mortgages.
- Enhanced monitoring of early arrears emergence and leading credit risk indicators.
- Incorporation of Consumer Duty considerations into relevant credit processes.

Risk Increase Risk Decrease Risk Stable

Conduct and compliance risk

The underlying risk profile is considered stable. The launch into residential mortgages increased the level of inherent risk in the business but regulatory requirements are assessed to have been understood with appropriate training, procedures and customer communication in place. Alongside this, Consumer Duty has been a major focus and represents new rules that set higher expectations for the standard of support provided to retail customers, and challenges firms to evidence the good customer outcomes that they are delivering. This has been a major focus for the business in the run-up to the regulatory deadline of July 2023. We continue to monitor progress through formal project management mechanisms and have appointed a Consumer Duty champion at an appropriate level to help support delivery and embedding the duty into our culture and ways of working.

- Supporting the launch of the Residential Mortgages product.
- Delivery of the Consumer Duty implementation plan.
- Further development of KRIs and MI dashboards.

Capital adequacy risk

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. Regulated credit exposures have shown moderate growth; however, this is anticipated to change significantly aligned to the launch of the residential mortgages product.

- Continued development of forecast capital models and validation of planning assumptions aligned to residential mortgages.

Operational risk

During the year, the risk profile has remained stable. The Group has continued to undertake structured assessments of its processes and technology in order to ensure inherent risks are understood and adequate control systems are in place to address material causes of failure. There has been a particular focus on Change (residential mortgages and technology roadmap), Information Security (evolving threat landscape) and Supply Chain Management (ensuring risks and controls in material outsourcers are understood). Where weaknesses are identified, treatment plans are raised with ownership and deadlines tracked via the Risk Committee.

- The launch of a project to deliver ISO27001 compliance in 2023–24.
- Enhanced Information Security controls and tooling aligned to National Cyber Security Centre best practice.
- Structured assessment of risk in material outsourced service providers aligned to regulatory best practice.
- Continued RCSA reviews aimed at establishing a key control population.
- New and improved AWS infrastructure with enhanced resilience and security controls.
- Cyber Essentials Plus re-certification.

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

Christian Faes
Chair

18 July 2023

Board of Directors

Christian Faes

Chair

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. In 2008, Christian co-founded the business with Ian Thomas, initially seeing an opportunity in the short-term mortgage market. He served as CEO of LendInvest until January 2020.

Christian has been actively involved in the fintech sector as founder of the Fintech Founders group, a member of the government's Fintech Delivery Panel, the City of London's Fintech Strategy group, and an advisor to the Department of International Trade's Telecoms and Technology Trade Advisory Group.

Christian is now CEO of Faes & Co, which is a firm that actively builds and invests in technology-enabled direct lending businesses, based out of the US.

Rod Lockhart

Chief Executive Officer

Rod joined LendInvest in 2015 to lead the business' Capital Markets and Fund Management division. In January 2020, Rod became Chief Executive Officer.

Rod is a chartered surveyor with 20 years' experience in property and property finance. He was previously Senior Director and a board member of the Investment Advisory Committee for CBRE. 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

A qualified chartered surveyor, Ian has many years' experience of property valuation, mixed-use development and investment acquisitions in both the UK and abroad, previously holding senior positions at Ballymore and SEGRO. Ian co-founded the business with Christian in 2008 during the global financial crisis.

Ian oversees all investment strategy and decision-making at LendInvest. 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

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.

Michael joined LendInvest in 2017 to transform financial and operational processes that allowed the Company to scale effectively, and became Chief Financial Officer of the business in 2021. Michael will be leaving the business on 31 July 2023 and will be replaced by David Broadbent.

Nomination Committee

Remuneration Committee

Audit & Risk Committee

Chair

Stephan Wilcke

Senior Independent Director

Stephan Wilcke currently chairs Bima, the leading mobile-delivered health and insurance provider in emerging markets, and serves on the boards of Hamburg Commercial Bank and Equiom. He is a former Executive Chair of OneSavings Bank and has also served on the boards of Amigo, Azimut, Independer, Farmafactoring, the Jersey Financial Services Commission, the Hellenic Financial Stability Fund, Nova Lubjanska Bank, TBC Bank Plc 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 Olver Wyman where he progressed to partner level. Stephan is an active early stage investor and has been an adviser to the business since 2016.

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

Penny Judd

Non-Executive Director

Penny Judd is an experienced Chair, Senior Independent Director and Audit Committee Chair with more than 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 & Risk Committee, and is a member of the Remuneration and Nomination Committees.

Dale Murray CBE

Non-Executive Director

Dale Murray is a Non-Executive Director at Xero, a listed cloud accounting software company, and at The Cranemere Group, an investment company. She also co-founded Omega Logic and is a former Non-Executive Director at the Department for Business, Energy & Industrial Strategy. Dale was awarded a CBE in 2013 for services to business.

Dale is a member of the Audit & 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.

Following Nina's departure from Alpha FMC, she has provided independent consultancy advice to boards on topics such as ESG strategy and regulatory reporting. Prior to joining Alpha FMC, Nina held positions at Accenture and Morgan Stanley.

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

Executive team

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Ruth Pearson

General Counsel & Company Secretary

Ruth is a chartered company secretary and fellow of the Chartered Governance Institute.

She has over 15 years of legal experience, having joined Simmons & Simmons in 2007 and becoming a senior lawyer in the firm's banking team. Ruth joined LendInvest in 2016 to build the legal, risk and compliance function. During her time in private practice, Ruth advised a wide range of financial institutions and borrowers on various banking, 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.

Hugo Davies

Chief Capital Officer

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 equity and debt capital raising for the business and manages our large 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

Esther Morley

Managing Director, Specialist Residential

Esther has over 23 years' experience in financial services across the UK and Ireland banking, building society and specialist lending sectors.

Esther started her career at HSBC & 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 the Specialist Residential Mortgage business unit.

Daniel Underwood

Head of Credit Risk and Recoveries

Daniel has over 24 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 two 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.

David Broadbent

Chief Financial Officer

David joined LendInvest in May 2023 as the incoming Chief Financial Officer and will replace Michael Evans from 1 August 2023. He will be overseeing all financial matters including financial reporting, financial planning and strategic direction.

David is a qualified chartered accountant with over 20 years experience in Financial Service and Banking. He has held multiple executive positions throughout his career, including Finance Director and Chief Commercial Officer at International Personal Finance Plc, Chief Financial Officer and Chief Executive Officer at Fairpoint Group Plc and, most recently, Chief Financial Officer at Bank North.

David has significant experience building and growing financial services businesses including start-ups, M&A, transformation and public listings.

Chair's introduction

Dear Shareholder,

I am pleased to present our Corporate Governance Report for the year ended 31 March 2023.

Corporate governance highlights from the year included

- Transition of Executive Chair to Non-Executive Chair.
- Undertaking our first Board effectiveness review.
- Holding our first Strategy Day for the Board.

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, as well as our ambitious objectives. 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.

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 the macroeconomic challenges that arose during FY23.

We undertook our first Board effectiveness review to assess the performance of the Board, our committees and governance structure and processes, the results of which are set out later in this report.

Throughout the year we have held 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. In addition we held our first full day Strategy Day in January 2023 to assess the medium to long-term strategic plan, review the technology roadmap, assess the ESG strategy and consider the people agenda.

As a Board, we recognise that our employees are vital to our continued growth and success and, as such, receive regular reports from our Chief People Officer allowing us to monitor our corporate culture and 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, Equity and Inclusion champions who take the lead in organising company-wide events and initiatives that enrich our company culture.

In what has been our first full financial year since the IPO in 2021, we have been able to fully embed our governance framework and processes to ensure we are able to carry out our responsibilities as a Board effectively. This puts us in a strong position to successfully deliver on our strategy over the coming years.

Christian Faes
Chair

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 and is compliant with all the principles of the Code. 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 promotes 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.
- Launching our first residential mortgage products, bringing our technology-driven model to this £1.7 trillion market for the first time.
- Investing in our technology infrastructure, continuing to innovate and further improve the customer experience.

Principle 2

Seek to understand and meet shareholders' 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. Our efforts in this area are supported by our ESG Committee which is led by our Chief Capital Officer.

Maintain a dynamic management framework

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 of defence' model: from operational departments, reporting to our risk and compliance function, and finally overseen by our Audit & Risk Committee. The internal audit function is supported through an external outsourcing arrangement.

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 three Executive and five Non-Executive Directors, of which four are deemed independent. The Senior Independent Director acts 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.

Principle 7

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

A Board effectiveness review was carried out in November 2022. This was undertaken internally by means of a questionnaire covering Board and committee effectiveness, the performance of the Chair, Board composition and processes, external stakeholder engagement, risk management and culture, governance processes and organisation. The results of the questionnaire were discussed by the Board and it was agreed that the Board was performing effectively. An action plan was developed identifying areas of focus for FY24.

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 our values 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 advisers as part of the listing process and have been fully embedded since listing in 2021.

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.

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
Non-Executive 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.
Chief Executive Officer	The CEO is responsible for the executive management of the Group, and for proposing and executing its strategy.
Chief Investment Officer	The CIO is responsible for overseeing all investment strategy and decision-making of the Group.
Chief Financial Officer	The CFO is responsible for overseeing the Group's financial performance.
Senior Independent Director	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 regularly engage with shareholders to ensure a balanced understanding of their views and issues.
Independent Non-Executive Directors	The Non-Executive Directors are expected to provide oversight and constructive challenge to management.

Board Committees

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

Committee	Responsibilities
Audit & Risk Committee	The Audit & 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 Chief Executive Officer, and other senior executives.

Corporate Governance Report 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 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 2023, the Board comprised three Executive Directors and five Non-Executive Directors, of which four are deemed independent, who are responsible for the Group's success.

Our Independent 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. The Non-Executive Chair is not considered to be independent due to his recent employment and majority shareholding in the Company.

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:

Directors	Meetings
Non-Executive Chair	
Christian Faes	8/8
Executive Directors	
Rod Lockhart	8/8
Ian Thomas	8/8
Michael Evans	8/8
Independent Non-Executive Directors	
Stephan Wilcke	8/8
Penny Judd	8/8
Dale Murray	8/8
Nina Spencer	8/8

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 can take appropriate action if required.

Board effectiveness review

The purpose of a Board effectiveness review is to establish objectives which will help drive continual improvement in Board practice and outcomes. The Board has undertaken an evaluation of its effectiveness, looking back at progress since the IPO in 2021 and what more can be done to improve even further.

The review sought input from all Board members and covered Board and committee effectiveness, the performance of the Chair, Board composition and processes, external stakeholder engagement, risk management and culture, governance processes and organisation. The results of the questionnaire were discussed by the Board and it was agreed that the Board and its committees are performing effectively. The actions agreed as part of this process included:

1. Develop an annual programme of Board training, using both internal and external speakers as appropriate, to ensure all Directors are kept abreast of latest thinking.
2. Ensure all Directors have an annual discussion with the Chair (or SID as appropriate) to assess performance.
3. Meeting management to be kept under review, particularly around year-end activities, and to ensure sufficient time is being spent on the appropriate matters for all Board and committee meetings.

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 & 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 aims to ensure that the outcome of any risk-taking activity is consistent with the Group's strategy, the Board risk appetite, and is compliant with current and developing regulation. The Audit & Risk Committee receives regular reports from senior management about the main sources of risk and any specific concerns around risk.

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 40.

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;
- ESG policies; and
- inside information.

Approved by the Board on 18 July 2023 and signed on its behalf by:

Christian Faes

Chair

18 July 2023

Audit & Risk Committee Report

Dear Shareholder,

I am pleased to present to you the report of the Audit & Risk Committee (the Committee) for the year ended 31 March 2023.

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, which were last agreed on 8 September 2022. These Terms of Reference are available on the Company's website.

Members	Meetings
Penny Judd (Chair)	4/4
Stephan Wilcke	4/4
Dale Murray	4/4
Nina Spencer	4/4

Membership

As at 31 March 2023, the Committee comprised the four independent Non-Executive Directors on the Board, including myself. The 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 & 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 half yearly and full-year results.
- 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.
- Consideration of key audit matters and how they are addressed.
- Consideration of the external audit report and management representation letter.
- Review of whistleblowing and anti-bribery arrangements.
- Relationship with the external auditor to ensure independence and objectivity are maintained.
- Reviewed the Modern Slavery Statement.

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 2022 and year ended 31 March 2023 are set out below:

- management override of controls;
- hedge accounting;
- revenue recognition;
- effective interest rate methodology;
- loan loss provisioning;
- loan and advances valuation;
- change in the presentation of the consolidated statement of profit and loss; and
- going concern.

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 have been appointed to provide 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 eight years. The audit partner is due to rotate before 31 March 2024. 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 FY24, the Committee expects to see the Company continue to enhance its enterprise risk framework, along with continuing its programme of risk and control assessments and the use of external consultants for internal audit.

Penny Judd

Chair
Audit & 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 2023.

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 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 last agreed on 8 September 2022. 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	3/3

Membership

As at 31 March 2023, the Committee comprised the four independent Non-Executive Directors on the Board, including myself, and the 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.
- Reviewed the Board and Committee structure, size and composition.
- The Chair of the Board moving from Executive to Non-Executive status.

During the course of FY24, the Committee will carry 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. The Committee will also consider the introduction of a Board Diversity Policy and targets.

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 2023. Although provided on a voluntary basis, this report will be subject to an advisory vote at the 2023 AGM. The advisory vote supports a great degree of accountability and provides shareholders with a say on executive pay.

Our Directors' Remuneration Policy was approved as part of an advisory vote on the FY22 Directors' Remuneration Report at the 2022 AGM. The Policy is available in our FY22 Directors' Remuneration Report.

Areas of responsibility

The Committee is responsible for:

- **determining and agreeing with the Board the framework for the remuneration of the Company's Chair, 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 which were last reviewed on 25 November 2022. These Terms of Reference are available on the Company's website.

Members	Meetings
Stephan Wilcke (Chair)	6/6
Penny Judd	6/6
Dale Murray	6/6
Nina Spencer	6/6

Membership

As at 31 March 2023, the Committee comprised the four independent Non-Executive Directors on the Board, including myself. The Chair and the Chief Investment Officer (CIO), as founders and major shareholders of the business, have been granted observer status. The Chief Executive Officer (CEO), Chief Financial Officer (CFO), Chief People Officer 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.

FY23 annual bonus

No bonuses were paid to the Executive Directors in respect of FY23.

Performance shares granted during FY23

On 6 July 2022, performance shares were granted to Rod Lockhart and Michael Evans with a face value at grant equal to 200% of salary. The Committee chose to defer the setting of the targets by circa four months until November 2022, given market uncertainty at the time of grant. It was originally intended that the performance shares would be subject to the achievement of absolute Total Shareholder Return (TSR) and EPS performance metrics. However, after careful consideration, the Committee determined that it was appropriate for the performance shares to be subject to EPS performance metrics only. This was on the basis that management are incentivised and rewarded for delivering substantial growth in the Company's bottom line and creating value for shareholders. Furthermore, the continued market uncertainty made setting robust absolute TSR targets extremely challenging.

Remuneration Committee Report continued

Board changes

Christian Faes stepped down as Executive Chair on 1 January 2023 and immediately assumed the role of Non-Executive Chair. His fee for Non-Executive Chair was set at £115,000 per annum and he also receives a travel allowance of £40,000 per annum. The Committee considered market data, the calibre and experience of Christian Faes and expected time commitment of the role when determining the fee.

Michael Evans will leave LendInvest on 31 July 2023. Following a comprehensive selection process, David Broadbent joined LendInvest on 9 May 2023 and has been working with Michael Evans to transition responsibilities. He is intended to succeed Michael Evans as Chief Financial Officer on 1 August 2023 in a non-board capacity. The Nomination Committee will consider David's appointment to the Board at a later date. David has been appointed for a fixed term ending in August 2024.

The treatment of Michael Evans' remuneration arrangements is set out on page 66. The Committee has agreed the following remuneration arrangements for David Broadbent:

- an annual salary of £285,000 which is positioned in line with Michael Evans' current salary. The Committee considered this appropriate taking into account the highly competitive market for talent and quality of the candidate; and
- a travel and accommodation allowance of £20,000 per annum.

He will participate in the Group's discretionary bonus arrangement. The maximum bonus opportunity for FY24 for Executive Directors is equal to 25% of salary.

He will not be granted performance shares during FY24 given the fixed term nature of his Chief Financial Officer appointment. Instead, he will be granted a one-off restricted share award with a face value at grant equal to 35% of salary. The award will vest in July 2024 (12 months from the grant date) subject to continued service. The vesting date broadly aligns with the end of David Broadbent's fixed term appointment as Chief Financial Officer. The grant of a restricted share award supports the provision of a competitive total remuneration package to David Broadbent, recognising that he will not be granted performance shares during FY24, and to align him with the interests of shareholders.

Application of Policy for FY24

Salaries and fees

An overview of our intended application of Policy for FY24 is set out on pages 63

Key activities

During the year, the Committee considered the following matters:

- Executive Committee salary increases;
- positioning of Chair fee;
- annual bonus outcomes;
- grant of performance shares; and
- workforce engagement and broader workforce policies.

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

Implementation of the Remuneration Policy in FY24

The following table sets out the key elements of the Remuneration Policy for Executive Directors and how the Policy is intended to be implemented in FY24.

	Key features	Implementation in FY24
Salary	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.	Rod Lockhart and Ian Thomas did not receive a salary increase for FY24. Michael Evans received a £10,000 (3.6%) salary increase effective from 1 April 2023. David Broadbent's salary was set at £285,000 on appointment (9 May 2023). Rod Lockhart: £400,000 Ian Thomas: £275,000 Michael Evans: £285,000 David Broadbent: £285,000
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 relocation of an Executive Director as may be required to perform the role.	In line with benefits provided in FY23. In addition, David Broadbent will receive a travel and accommodation allowance of £20,000 per annum.
Pension	Contribution to the Company's defined pension scheme or cash payment in lieu of contribution. Maximum contribution is aligned with the level available to the majority of the workforce.	Pension contribution or cash payment in lieu of contribution equal to 4% of salary, aligned with the level available to the majority of the workforce. David Broadbent does not participate in the Company's pension scheme nor receive a cash payment in lieu of pension.
Annual bonus	Maximum opportunity of up to 100% of salary in respect of a financial year. Awards are determined by the Committee, taking into account performance against Group PBT performance, non-financial performance, individual performance and the experience of shareholders and other stakeholders over the financial year. A minimum of 50% of the amount earned is paid in cash, with the remainder deferred into shares for a year.	The maximum opportunity for Rod Lockhart and David Broadbent is equal to 25% of salary. Awards will be determined by the Committee following the end of FY24 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. Ian Thomas is deemed to be sufficiently incentivised through his substantial shareholding in the Company and therefore does not participate in the annual bonus. Michael Evans is not eligible to receive a bonus as he will leave the business on 31 July 2023.
Long term incentive plan (LTIP)	Maximum opportunity of up to 300% of salary in respect of a 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 and continued employment over a three-year period.	Rod Lockhart will be granted performance shares with a maximum opportunity equal to 200% of salary. Vesting will be subject to the achievement of EPS and absolute TSR performance over the three year period to the end of FY26. The weighting of the performance metrics and the targets will be disclosed in next year's Directors' Remuneration Report. David Broadbent will be granted a one-off restricted share award as disclosed on page 62. He will not be granted performance shares given his fixed term appointment. Ian Thomas is deemed to be sufficiently incentivised through his substantial shareholding in the Company and therefore does not participate in the performance shares. Michael Evans will not be granted performance shares as he will leave the business on 31 July 2023.

Directors' Remuneration Policy continued

The following table sets out the key elements of the Remuneration Policy for the Non-Executive Chair and Non-Executive Directors and how the Policy is intended to be implemented in FY24.

	Key features	Implementation in FY24
Fees and benefits	Fees are normally reviewed annually. The Chair and 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. The Chair and Non-Executive Directors may be eligible to receive benefits such as travel costs or other benefits that may be appropriate.	The Chair did not receive a fee increase for FY24. The Non-Executive Directors received a £2,500 (4.5%) fee increase effective from 1 April 2023. FY24 fees: Chair fee: £115,000 Non-Executive Director fee: £57,500 Fees are inclusive of additional responsibilities. The Chair receives an annual travel allowance of £40,000.

Annual Report on Remuneration

Single figure table

The following table sets out the elements of remuneration received by each Director in respect of FY23, and the total remuneration received by each Director in respect of FY22 and FY23.

£000	Salary and fees	Benefits[1]	Pension	Annual bonus	LTIP[3]	Total remuneration FY23	Total remuneration FY22
Executive Directors							
Rod Lockhart	400	1	16	–	–	417	413
Michael Evans	275	1	11	–	85	372	288
Ian Thomas	275	2	11	–	–	288	248
Non-Executive Directors							
Christian Faes[2]	215	14	–	–	–	229	232
Stephan Wilcke	55	0.1	–	–	–	55	79
Penny Judd	55	0.1	2	–	–	57	80
Dale Murray	55	0.1	0.4	–	–	56	80
Nina Spencer	55	0.1	2	–	–	57	11

1 Benefits include private medical insurance and life assurance. The benefits figure for Christian Faes also includes a travel allowance of £40,000 per annum pro-rated for the period from 1 January 2023 to 31 March 2023.
2 Christian Faes stepped down as Executive Chair on 1 January 2023 and immediately assumed the role of Non-Executive Chair. His fee disclosed in the table above comprises his base salary received as Executive Chair (£250,000 per annum pro-rated for the period 1 April 2022 to 31 December 2022) and his fee received as Non-Executive Chair (£115,000 per annum pro-rated for the period 1 January 2023 to 31 March 2023).
3 The LTIP gain for Michael Evans disclosed in the table above relates to the exercise of a CSOP option over 57,000 shares which was granted pre-Admission. The gain has been calculated based on the Company's share price on the exercise date (16 August 2022 – £1.495) and an exercise price per share of £0.0005.

Additional disclosures in respect of the single figure table

Base salary

Details of annual base salaries for the Executive Directors for FY22 and FY23 are set out below. Salary increases were awarded on Admission.

	FY21	FY22	FY23
£000	Annual base salary from 1 April 2021 to 13 July 2021	Annual base salary from 14 July 2021 to 31 March 2022	Annual base salary from 1 April 2022 to 31 March 2023
Rod Lockhart	200	400	400
Michael Evans	175	275	275
Ian Thomas	175	275	275

Non-Executive Chair and Non-Executive Director fees

Christian Faes stepped down as Executive Chair on 1 January 2023 and immediately assumed the role of Non-Executive Chair. His fee for Non-Executive Chair was set at £115,000 per annum. His base salary for Executive Chair was £250,000 per annum.

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

	FY22	FY23
£000	Annual fees from 14 July 2021 to 31 March 2022	Annual fees from 1 April 2022 to 31 March 2023
Non-Executive Director fee (inclusive of additional responsibilities)	55	55

FY23 annual bonus

No bonuses were paid to the Executive Directors in respect of FY23.

Performance shares granted during FY23

On 6 July 2022, performance shares in the form of nil-cost share options were granted to Rod Lockhart and Michael Evans with a face value at grant equal to 200% of salary. The Committee chose to defer the setting of the targets by circa four months until November 2022 given market uncertainty at the time of grant. It was originally intended that the performance shares would be subject to the achievement of EPS and absolute TSR performance metrics. However, after careful consideration, the Committee determined that it was appropriate for the performance shares to be subject to EPS performance metrics only. This was on the basis that management are incentivised and rewarded for delivering substantial growth in the Company's bottom line and creating value for shareholders. Furthermore, the continued market uncertainty made setting robust absolute TSR targets extremely challenging.

The performance shares will vest and become capable of exercise following the three year performance period ending 31 March 2025 once the Committee has determined if the performance targets have been satisfied.

	Number of shares granted	Face value of award at the grant date (£000)[1]
Rod Lockhart	512,821	800
Michael Evans	352,564	550

1 Calculated based on the mid-market closing share price on the dealing day immediately prior to the grant date (5 July 2022 – £1.56).

The EPS targets are set out below.

Cumulative EPS for FY23 to FY25	Vesting (% maximum)
38 pence	100%
36 pence	62.5%
32 pence	25%

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’ Remuneration Policy continued

Board changes

Michael Evans will leave LendInvest on 31 July 2023. The treatment of Michael Evans’ remuneration arrangements is set out in the table below. This has been agreed by the Committee taking into account his contribution to LendInvest and his commitment to ensure a successful transition of the Chief Financial Officer.

Element	Agreed treatment
Payment in lieu of notice	He will receive a payment in lieu of notice equal to £52,980 based on the value of his salary for the unexpired term of his six-month notice period.
Annual bonus	He is not eligible to receive a bonus in respect of FY23 or FY24.
Deferred bonus award	His deferred bonus award (granted on 6 July) vested in full on 6 July 2023 following the end of the one-year deferral period.
Performance shares	Unvested performance shares (granted on 23 August 2021 and 6 July 2022) will: • continue to vest in accordance with their normal vesting timetable, subject to the achievement of the relevant performance metrics; and • be prorated for time served as Chief Financial Officer during the relevant performance periods. He will not be granted performance shares during FY24.

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 base salary. As at 31 March 2023, Rod Lockhart and Ian Thomas both exceeded the guideline. Michael Evans was appointed as CFO on 26 May 2021 and made progress towards the guideline. Michael Evans will leave LendInvest on 31 July 2023.

The interests of the Directors and their connected persons in the Company’s ordinary shares as at 31 March 2023 were as follows:

	Type	Shares beneficially held	Unvested and subject to performance	Unvested and not subject to performance	Vested but unexercised	Exercised during the year
Rod Lockhart	Shares	2,960,259	–	–	–	–
	FY22 Performance shares	–	312,356	–	–	–
	FY23 Performance shares	–	512,821	–	–	–
	FY23 Deferred bonus	–	–	9,615	–	–
Michael Evans	Shares	57,000	–	–	–	–
	CSOP awards granted pre-Admission		–	25,000	80,000	57,000
	FY22 Performance shares	–	377,574	–	–	–
	FY23 Performance shares	–	352,564	–	–	–
	FY23 Deferred bonus	–	–	9,615	–	–
Ian Thomas	Shares	40,115,912	–	–	–	–
Christian Faes	Shares	37,630,912				–
Stephan Wilcke	Shares	210,753	–	–	–	–
Penny Judd	Shares	10,753	–	–	–	–
Dale Murray	Shares	64,516	–	–	–	–
Nina Spencer	Shares	–	–	–	–	–

Michael Evans exercised a CSOP option over 80,000 shares on 5 May 2023 which was granted pre-Admission. Michael Evans also held an unvested CSOP option over 25,000 shares which was granted pre-Admission. This option has fully lapsed. As at 18 July 2023, the Company has not been advised of any other changes to the interests of the Directors and their connected persons as set out in the table on the previous page.

Advisers to the Remuneration Committee

The Committee received independent advice from Deloitte LLP during FY23. 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.

Directors' Remuneration Report voting at the 2022 AGM

The table below sets out the voting outcome at the Company's AGM held on 8 September 2022 in respect of the resolution to approve the Directors' Remuneration Report contained in the FY22 Annual Report and Accounts.

Votes for	% for	Votes against	% against	Total votes cast	Votes withheld
99,425,743	100%	0	0%	99,425,743	17,131,040

Approval

This Report was approved by the Board on 18 July 2023 and signed on its behalf by:

Stephan Wilcke
Chair
Remuneration Committee

18 July 2023

Directors' Report

The Directors who served during the financial year ended 31 March 2023 – 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 2023.

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 52.

The principal activities of the Company and the other members of the Group can be found on page 143. 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	Non-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 (2022: nil).

Donations to charitable organisations amounted to £1.4k (2022 : £12k).

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 2023 are set out in the table at page 66.

Since 31 March 2023, Michael Evans exercised his CSOP option over 80,000 Ordinary Shares. There have been no other changes in the serving Directors' interests in Ordinary Shares, or options over Ordinary Shares, from 31 March 2023 to the date of this Report.

Dividends

The Directors have recommended a final dividend of 3.2p per share and a progressive dividend policy. If approved by shareholders at the Annual General Meeting, the final dividend will be paid on 13 October 2023 to ordinary shareholders whose names were on the Register of Members on 15 September 2023.

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 2023 the EBT held 1,626,705 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 37.

Energy and carbon emissions

You can find information about disclosures from page 34 in the Strategic Report.

Engaging with shareholders

You can find information about how our Directors have engaged with our shareholders from page 37 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 38 in the Strategic Report.

Financial instruments

You can find details of our financial risk management objectives and policies, and risk exposures, from page 103 in the financial statements.

Future developments

The Board intends to continue to pursue the business strategy as outlined in the Strategic Report on page 10.

Going concern

The financial statements are prepared on a going concern basis. To assess the appropriateness of this basis, the Directors considered a wide range of information relating to present and future conditions, including the Group's current financial position and future projections of profitability, cash flows and capital resources.

The Directors also considered the Group's risk assessment framework and potential impacts that the top risks identified (see page 42 of the Risk Report) may have on the Group's financial position and longer-term strategy. The Group continues to have a proven business model, as demonstrated by its continued levels of profitability, and remains well positioned in each of its core markets.

The Directors believe the Group is well capitalised and efficiently funded, with sufficient levels of liquidity. The Directors have reviewed the Group's capital and liquidity plans, which have been stress tested under a range of severe but plausible scenarios as part of the annual planning process. The stressed forecasts indicate that under stressed scenarios the Group continues to operate with sufficient levels of liquidity and capital for the next 12 months.

The Directors also considered the impact of the funding lines maturing in the next 12 months from the date of approval of the financial statements. In line with the normal operations of the Group, there are a number of facilities which mature during this period. The Directors believe that the Group will be able to refinance these facilities either with the existing funding provider or with new third parties to continue its growth trajectory.

If these facilities were not to be refinanced, the Group would be able to sell individual loans or portfolio of loans to facilitate the repayment of the outstanding amounts. This strategy is in line with the existing approach of the Group to both hold assets on its balance sheet and sell to the third parties. The Directors do not consider that this creates a material uncertainty in the going concern assessment of the Group.

Based on the above, the Directors believe the Group has sufficient resources to continue its activities for a period of at least 12 months from the date of approval of these financial statements. Accordingly, the Directors have concluded that it is appropriate to adopt the going concern basis in preparing these financial statements.

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 18 September 2023.

Modern Slavery Act

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

Directors' Report continued

Post-balance sheet events

On 14 April 2023 the Group sold its residual economic interest in its third securitisation Mortimer BTL 2021-1 plc and derecognised the loans from its balance sheet resulting in a derecognition of financial assets of £226.5m.

On 26 May 2023, the Group sold a portfolio of £250m of Buy-to-Let loans for a total consideration of £243m inclusive of the proceeds from cancelled interest rate derivatives.

On 30 June 2023, the Group agreed terms for a forward flow arrangement allowing for the origination and immediate sale of £500m of Buy-to-Let and residential mortgages that will not be funded on the Group's balance sheet.

Principal risks and uncertainties

You can find information about our principal risks and uncertainties from page 42 in the Strategic Report.

Purchase of shares

The Company was authorised, at the 2022 AGM, to make market purchases of Ordinary Shares subject to a limit of 10% of its issued share capital. A request for this authority to be renewed will be made at the 2023 AGM.

Share capital and share premium

The Company has one class of shares in issue: Ordinary Shares of £0.0005 par value. At 31 March 2023, the total number of shares in issue was 139,631,046, 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 of 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 2023. 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 2023

Name	Registered holding of Ordinary Shares	% of total issued share capital
Ian Thomas (individually and via a wholly owned corporate entity)	40,115,912	28.7
Christian Faes (individually and via a wholly owned corporate entity)	37,630,912	27.0
Atomico (via Atomico IV L.P and Atomico IV Guernsey)	16,861,040	12.1
Liontrust Asset Management	8,081,250	5.8
Chelverton Asset Management	5,000,000	3.6

Approved by the Board on 18 July 2023 and signed on its behalf by:

Christian Faes
Chair
18 July 2023

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 and Company financial statements in accordance with UK-adopted international accounting standards.

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 and 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, 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 46, 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 UK-adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and profit 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 2023 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 2023 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.

Independence

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:

- reviewing minutes of meetings of those charged with governance and correspondence with regulators, such as the Financial Conduct Authority, for any factors which could be of higher risk in relation to going concern;
- 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 data and considered the historical accuracy of the Directors' forecasts by comparing them to actual results;
- enquiring with 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 the Directors plans in respect of funding lines which are approaching maturity within the next 12 months by considering the Group's past experience of extending the maturity of facilities, their discussions with new providers of funding and experience of portfolio sales;
- enquiring with the Directors and assessing the continued economic impact of the cost-of-living crisis and developments in Ukraine on the business and whether the impact thereof has been adequately factored into their assessment of going concern; and
- inspecting the latest post year end management accounts and reviewing minutes of Board meetings 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% (2022: 100%) of Group profit before tax 100% (2022: 100%) of Group revenue 100% (2022: 100%) of Group total assets
Key audit matters	
Materiality	Group financial statements as a whole £715,000 (2022:£711,000) based on 5% (2022: 5%) of Profit Before Tax.

Key audit matters	2023	2022
Fraud in Revenue recognition	✔	✔
Determination of expected credit loss (ECL)	✔	✔
Valuation techniques of loans and advances	✔	✔

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. We identified twenty-three components, including the parent company and all entities requiring a stand-alone statutory audit, which we considered to be significant components, and which were subject to full scope audits performed by the Group audit team.

In addition, there were nine Group components which were deemed to be insignificant components, but which individually or collectively contained balances material to the Group. The material balances of the insignificant components were audited to component materiality.

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.

<table>
<tr><th colspan="2">Key audit matter</th><th>How the scope of our audit addressed the key audit matter</th></tr>
<tr>
<td>Fraud in Revenue recognition

The Group's accounting policies are disclosed in note 1.8.

The effective interest rate adjustment for the year is included in Total interest and similar income as disclosed in note 6.

As disclosed in Note 9 the gain on de-recognition of securitised loan portfolios is £3.8m (2022: Nil).</td>
<td>The amounts reported in relation to revenue represent information of significant interest to many users of the financial statements. This puts revenue at a greater risk of manipulation, bias and misstatement. Having regard to the potential for fraud in relation to revenue recognition, we identified the following as areas of significant risk of material misstatement:

Interest income
Interest income must be recognised using the effective interest rate ('EIR') in accordance with IFRS 9: Financial Instruments. The behavioural life of loan customers is necessary to accurately recognise interest income but highly subjective and involves the use of management's judgement and estimation.

Management is also in a unique position to manipulate financial results, by recognising interest income on loans that have been sold and no longer held by the Group.</td>
<td>Interest income
We have reviewed the revenue recognition policies adopted by the Group, to check these are in accordance with requirements of the applicable accounting standards. This includes an 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 have assessed the completeness and accuracy of data and key model inputs feeding into the EIR models by selecting samples and agreed them back to the system or source documents.

We have challenged the reasonableness of the loan behavioural life assumptions used by management considering historical experience of loan behavioural lives based on customer behaviour.

We have performed sensitivity analysis on key EIR management judgments and estimates such as the behavioural life assumptions applied when assessing future cashflows.

Using data analytics, we have identified those facilities which have moved off-balance sheet and have selected a sample of these and agreed to supporting documents, that the entity has the contractual rights to recognise interest income in the year.</td>
</tr>
</table>

Key audit matter		How the scope of our audit addressed the key audit matter
Fraud in Revenue recognition continued	**Gains on de-recognition of financial assets** Loans are derecognised by the Group or Company, by way of 'normal' transfer off-balance sheet in the course of standard business operations or via securitisation transactions. LendInvest have entered into a number of transactions during the year which either re-financed, or disposed of, the residual interest in securitisation arrangements. These transactions have led to gains either through settlement of the transaction or through triggering a loss of control that crystallises fee income and expense in respect of the de-recognised loan portfolios. These transactions are complex and have resulted in material gains.	**Gains on de-recognition of financial assets** We have reviewed the Regulatory News Service ('RNS') announcements to identify any transactions which relate to de-recognition of financial assets. We have obtained a listing of all financial assets, de-recognised during the period and assessed the validity of the de-recognition of these assets, in line with the supporting contracts. We have assessed the application of (loss of) control, in accordance with IFRS 10: Consolidated Financial Statements. We have obtained a breakdown of the crystallised fees and tested the transactions, to check these are correctly accounted for, under the applicable accounting standards. This was done by agreeing that the amount in respect of crystallised fees post disposal amounted to zero. For the samples selected, we have verified all key inputs and journal entries, which support the calculation of the Gain on de-recognition of financial assets, with reference to third party supporting documentation where possible. For financial assets derecognised, we have obtained assurance by testing the completeness of interest income to the underlying system and checked that no income post de-recognition of loans, have been recorded in the general ledger. **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. Based on our audit work performed and the evidence obtained, we concluded that the gains on de-recognition of assets were calculated and accounted for appropriately.

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

<table>
<tr><th colspan="2">Key audit matter</th><th>How the scope of our audit addressed the key audit matter</th></tr>
<tr>
<td>Determination of expected credit loss (ECL)

The Group's accounting policies are disclosed in note 1 with detail about judgements in applying accounting policies and critical accounting estimates in note 1.22.

As disclosed in Note 19 the ECL Provision at year-end is £9.1m (2022: £11m).</td>
<td>Commensurate with the activities of the Group, the total expected credit loss provision is a material balance subject to management judgement and estimation.

We have assessed the elements of the ECL calculation which will significantly impact the determination of the ECL as follows:

Accuracy of forward-looking information
IFRS 9 requires the Group to measure the expected credit loss (ECL) on a forward-looking basis, incorporating future macro-economic variables reflecting a range of future conditions. The incorporation of such forward-looking macroeconomic inputs and weighting of the scenarios is considered a significant risk across all three portfolios, especially in the continued downturn of the current economic environment.

Moreover, there is also a risk that management overlays applied to the model are not directionally consistent with observable macro-economic variables and forward-looking information. As model recalibration and rebuild options are not always practical, management implement post-model adjustments to bridge the gap between outdated models and recalibrating them for current events. While the use of post-model adjustments is susceptible to management bias, there is also a risk that these are not applied at the most granular level possible. As these are adjustments posted outside of the ECL model, management overlays are subject to management bias and significantly judgemental area of audit.

Carrying value (loss given default) of individually assessed Stage 3 (credit impaired) loans
The carrying value of loans and advances to customers may be materially misstated if individual impairments are not appropriately identified and estimated. These estimates involve complex recoverability scenarios which involve multiple differing recovery options where the timing and quantum of recoveries are subject to significant management judgments and estimates and the probability of scenarios weighting as recovery cashflows can differ materially between individual scenarios.</td>
<td>Accuracy of forward-looking information
We have engaged internal credit and econometric experts to assist in assessing the appropriateness of the regression models and the source and type of macro economic variables used such as GDP and unemployment data.

We have challenged management on the rationalisation of any changes made to information obtained from external sources and have checked its appropriateness to the current lending portfolio. We have assessed the reasonability of multiple economic scenarios used and weighting by considering the number of scenarios selected based on management's support.

We have obtained an understanding of management's process and identified and tested key controls relating to post-model adjustments, such as approval from appropriate governance committees and completeness and accuracy of management overlays.

We have tested the completeness of the data used for management overlays and assessed if other overlays are required, based on our experience. We have tested the arithmetical accuracy of the overlays.

Carrying value (loss given default) of individually assessed Stage 3 (credit impaired) loans.
We have selected a sample of individual assessment cases as at 31 March 2023. We have challenged management on the key inputs into these scenarios by obtaining supporting evidence for recovery strategies, collateral values, exit strategies, scenario weighting, expected timing of cash flows and engaging internal experts as required in support of our assessment. We have 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 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 assessments.

Key Observations:
Based on our audit work performed, we consider the estimates and judgements 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.</td>
</tr>
</table>

Key audit matter		How the scope of our audit addressed the key audit matter
Valuation techniques of loans and advances **The Group's accounting policies are disclosed in note 1 with detail about judgements in applying accounting policies and critical accounting estimates on note 1.22.** **As disclosed in Note 19 the Fair Value Adjustment at year-end is -£36.5m (2022: £5.2m).**	The Group's business model requires the Group to measure the majority of 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. The measurement of the loan book at fair value requires modelling which is subject to material management judgments and estimates 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, particularly in the 'Buy-to-Let' portfolio and therefore this area is considered a significant risk.	We have undertaken sensitivity analysis on the discount rates and ascertained how susceptible the fair valuation of the model is to manipulation and material misstatement. 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 reviewed and benchmarked the discount rates to external data sources where appropriate. With the support of our valuation expert team, we have assessed the models to determine whether the fair values determined by management sit within our assessed acceptable range. **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.

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

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	
	2023 £	2022 £	2023 £	2022 £
Materiality	715,000	711,000	419,000	510,000
Basis for determining materiality	5% of profit before tax		6.5% of profit before tax	7.5% of profit before tax
Rationale for the benchmark applied	As this is a listed entity, profit before tax is a significant metric and influential to the investor group. Therefore, profit before tax is considered to be the most appropriate benchmark.			
Performance materiality	536,000	533,250	314,000	382,500
Basis for determining performance 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.			

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 £2 to £564,000 (2022: £34,000 to £510,000) based on allocating materiality using relevant benchmarks . In the audit of each component, we further applied performance materiality levels of 75% (2022: 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 £21,000 (2022: £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 and accounts other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

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.

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

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:

Non-compliance with laws and regulations

Based on:

- Our understanding of the Group and the industry in which it operates;
- Discussion with management and those charged with governance; and
- Obtaining and understanding of the Group's policies and procedures regarding compliance with laws and regulations.

We considered the significant laws and regulations to be:

- Companies Act 2006.
- AIM Listing Rules
- UK tax legislation
- The applicable financial reporting framework.

The Group is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be Financial Conduct Authority rules and The General Data Protection Regulation (GDPR).

Our procedures in respect of 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;
- reviewing of legal expenditure accounts to understand the nature of expenditure incurred; and
- reviewing of minutes of meetings of those charged with governance and correspondence with the Financial Conduct Authority;

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- enquiring with management and those charged with governance, including the Audit and Risk Committee, regarding any known or suspected instances of fraud;
- obtaining an understanding of the Group's policies and procedures relating to:
  - Detecting and responding to the risks of fraud; and
  - Internal controls established to mitigate risks related to fraud.
- reviewing of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud; and
- considering remuneration incentive schemes and performance targets and the related financial statement areas impacted by these.

Based on our risk assessment, we considered the areas most susceptible to fraud to be revenue recognition, management override of controls, determination of expected credit loss (ECL) and valuation techniques of loans and advances.

Our procedures in respect of the above included:

- testing the appropriateness of a sample of journal entries and other adjustments by agreeing to supporting documentation;
- involvement of internal credit , econometric experts and internal valuation experts in the areas of high estimation by management such as ECL and Loans and Advances Valuation which is covered in the KAM under 'Determination of ECL and Valuation Techniques of Loans and Advances';
- evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business; and
- assessing whether the judgements made in accounting estimates are indicative of a potential bias which is covered in the KAM under 'Fraud in Revenue Recognition' and 'Determination of ECL and Valuation Techniques of Loans and Advances'.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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
17 July 2023

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 2023 £'m	Year ended 31 March 2022 before exceptional items (restated[1]) £'m	Exceptional listing expenses £'m	Year ended 31 March 2022 (restated[1]) £'m
Interest income calculated using the effective interest rate	6	68.1	58.6	–	58.6
Other interest and similar income	6	5.1	1.2	–	1.2
Interest expense and similar charges	7	(34.8)	(33.4)	–	(33.4)
Net interest income		**38.4**	**26.4**	**–**	**26.4**
Fee income	8	13.5	22.7	–	22.7
Fee expenses	8	(2.3)	(4.9)	–	(4.9)
Net fee income		**11.2**	**17.8**	**–**	**17.8**
Net gains on derecognition of financial assets	9	4.9	6.3	–	6.3
Net other operating income		0.2	–	–	–
Net operating income		**54.7**	**50.5**	**–**	**50.5**
Administrative expenses	10	(34.5)	(30.3)	(1.6)	(31.9)
Impairment losses on financial assets		(5.9)	(4.4)	–	(4.4)
Total operating expenses		**(40.4)**	**(34.7)**	(1.6)	**(36.3)**
Profit before tax		**14.3**	**15.8**	(1.6)	**14.2**
Income tax charges	13	(2.9)	(3.3)	–	(3.3)
Profit after taxation		**11.4**	**12.5**	**(1.6)**	**10.9**
Earnings per share for profit attributable to the ordinary equity holders of the Group:					
Basic earnings per share (pence/share)	**34**	**8.3**	**–**	**–**	**8.3**
Diluted earnings per share (pence/share)	**34**	**8.0**	**–**	**–**	**8.0**

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

1 Refer to note 1.6 for changes to the presentation of the Consolidated statement of profit and loss. The restatement of figures in the prior year relates to the change in presentation only.

Consolidated statement of other comprehensive income

	Note	Year ended 31 March 2023 £'m	Year ended 31 March 2022 (restated[1]) £'m
Profit after taxation		**11.4**	**10.9**
Other comprehensive (loss)/income:			
Items that will or may be reclassified to profit or loss		–	–
Fair value loss on loans and advances measured at fair value through other comprehensive income		(35.0)	(22.7)
Cash flow hedge adjustment through other comprehensive income	3	(4.8)	29.2
Deferred tax credit on fair value movement	13	8.8	3.5
Deferred tax credit/(charge) on cash flow hedge movement	13	1.2	(7.1)
Other comprehensive (loss)/income for the year		**(29.8)**	**2.9**
Total comprehensive (loss)/income for the year		**(18.4)**	**13.8**

1 Refer to note 1.25.

Consolidated statement of financial position

	Note	As at 31 March 2023 £'m	As at 31 March 2022 (restated[1]) £'m
Assets			
Cash and cash equivalents	18	46.7	118.2
Trade and other receivables	17	6.1	6.3
Loans and advances	19	1,122.9	1,209.1
Fair value adjustment for portfolio hedged risk asset	3/26	0.1	–
Investment securities	20	23.9	–
Derivative financial asset	27	46.0	32.5
Property, plant and equipment	15	2.2	2.8
Net investment in sublease	2	1.0	1.2
Intangible fixed assets	16	10.5	6.1
Investment in joint venture	29	0.2	–
Investment in third parties	30	2.0	–
Deferred taxation	13	1.2	–
Total assets		**1,262.8**	**1,376.2**
Liabilities			
Trade and other payables	21	(23.7)	(45.8)
Corporation tax payable		–	(0.4)
Interest-bearing liabilities	22	(1,159.3)	(1,214.1)
Lease liabilities	2	(3.3)	(4.1)
Deferred taxation	13	–	(8.5)
Total liabilities		**(1,186.3)**	**(1,272.9)**
Net assets		**76.5**	**103.3**
Equity			
Share capital	23	0.1	0.1
Share premium	23	55.2	55.2
Employee share reserve		3.3	2.7
Own share reserve		(0.6)	0.1
Fair value reserve	24	(16.5)	9.5
Cash flow hedge reserve	24	16.1	19.8
Retained earnings	24	18.9	15.9
Total equity		**76.5**	**103.3**

1 Refer to note 1.25.

The financial statements of LendInvest plc (registration number 08146929) on pages 87 to 136 were approved and authorised for issue by the Board of Directors on 17 July 2023 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 2023 £'m	Year ended 31 March 2022 (restated) £'m
Profit after taxation		11.4	10.9
Adjusted for:			
Depreciation of property, plant and equipment	15	0.2	0.1
Amortisation of intangible assets	16	1.9	2.6
Transfer of share option costs		(0.6)	–
Income tax expense	13	2.9	3.3
Derivative, hedge accounting and committed facility fair value profits	3.3/3.4	(35.2)	(1.0)
Funding line costs	7	3.2	0.2
Impairment provision		5.9	4.6
Depreciation of right-of-use asset	2/15	0.6	0.9
Interest expense – lease liability	2	0.5	0.5
Costs relating to market listing		–	1.6
Equity-settled share-based payments	25	2.0	1.1
Net gain on derecognition of loans and loan portfolios	9	(1.1)	–
Gain on disposal of residual interest	20	(3.8)	–
Income from sublease		(0.2)	–
Change in working capital			
Decrease/(increase) in gross loans and advances		20.2	(187.6)
Cash consideration for sold residuals		12.7	–
Derivative settlements		26.1	–
Swap initial exchange	27	(18.2)	–
Decrease in trade and other receivables	17	0.2	0.1
(Decrease)/increase in trade and other payables	21	(24.9)	18.5
Income taxes paid		(2.5)	(3.7)
Cash from / (used in) operating activities		**1.3**	**(147.3)**
Cash flow used in investing activities			
Purchase of property, plant and equipment	15	(0.2)	(0.2)
Capitalised development costs	16	(6.3)	(3.2)
Increase in investment in joint ventures		(0.2)	–
Increase in investment in third parties		(2.0)	–
Income from sublease		0.2	–
Net cash used in investing activities		**(8.5)**	**(3.4)**
Cash flow from financing activities			
Proceeds to fund securitisation repayments		176.1	–
Redemption of securitisation facilities		(188.1)	–
(Decrease)/increase in interest-bearing liabilities		(20.3)	173.9
Proceeds from the issuance of retail bonds		9.3	–
Repayment of retail bonds		(28.1)	–
Cost of bond issuance		(0.5)	–
Principal elements of finance lease payments	2	(0.9)	(0.9)
Interest expense – lease liabilities	2	(0.5)	(0.5)
Proceeds from an equity share issue		–	40.0
Cash settlement of derivative losses		–	(1.2)
Equity raise costs		–	(3.9)
Funding line costs		(3.5)	(0.1)
Dividends paid		(7.8)	–
Net cash (used in) / from financing activities		**(64.3)**	**207.3**
Net (decrease)/increase in cash and cash equivalents		**(71.5)**	**56.0**
Cash and cash equivalents at beginning of the period	18	118.2	62.2
Cash and cash equivalents at end of the period	18	**46.7**	**118.2**

Interest received was £58.5 million (2022: £56.6 million) and interest paid was £47.4 million (2022: £25.6 million).

Consolidated statement of changes in equity

	Note	Share capital £'m	Share premium £'m	Own share reserve £'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 2021 (restated[1])		**–**	**17.5**	**–**	**1.6**	**28.9**	**(2.4)**	**4.4**	**50.0**
Profit after taxation		–	–	–	–	–	–	10.9	**10.9**
Fair value adjustments on loan and advances through OCI		–	–	–	–	(19.4)	–	–	**(19.4)**
Employee share scheme tax		–	–	–	–	–	–	0.6	**0.6**
Cash flow hedge adjustment through OCI		–	–	–	–	–	22.2	–	**22.2**
Employee share options schemes		–	–	–	1.1	–	–	–	**1.1**
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 (restated[1])		**0.1**	**55.2**	**0.1**	**2.7**	**9.5**	**19.8**	**15.9**	**103.3**
Profit after taxation		–	–	–	–	–	–	11.4	**11.4**
Fair value adjustments on loan and advances through OCI		–	–	–	–	(26.0)	–	–	**(26.0)**
Employee share scheme tax		–	–	–	–	–	–	0.2	**0.2**
Current tax movement through equity		–	–	–	–	–	–	0.4	**0.4**
Cash flow hedge adjustment through OCI		–	–	–	–	–	(3.7)	–	**(3.7)**
Shares issued from own share reserve		–	–	2.4	–	–	–	(2.4)	**–**
Shares purchased by EBT		–	–	(3.1)	–	–	–	–	**(3.1)**
Reinstatement of dilapidations provision		–	–	–	–	–	–	(0.1)	**(0.1)**
Transfer of share option costs		–	–	–	(1.4)	–	–	1.4	**–**
Dividends paid		–	–	–	–	–	–	(7.9)	**(7.9)**
Employee share options schemes	25	–	–	–	2.0	–	–	–	**2.0**
Balance as at 31 March 2023		**0.1**	**55.2**	**(0.6)**	**3.3**	**(16.5)**	**16.1**	**18.9**	**76.5**

1 Refer to note 1.25.

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. The Directors also considered the impact of the funding lines maturing in the next 12 months from the date of approval of the financial statements. In line with the normal operations of the Group, there are a number of facilities which mature during this period.

The Directors believe that the Group will be able to refinance these facilities either with the existing funding provider or with new third parties to continue its growth trajectory. If these facilities were not to be refinanced, the Group would be able to sell individual loans or portfolio of loans to facilitate the repayment of the outstanding amounts. This strategy is in line with the existing approach of the Group to both hold assets on its balance sheet and sell to the third parties. The Directors do not consider that this creates a material uncertainty in the going concern assessment of the Group

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 of these accounts and therefore 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 the Alternative Investment Market ('AIM'), a market operated by the London Stock Exchange, on 14 July 2021. The address of its registered office is given on page 68. 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.

LendInvest plc transitioned to UK-adopted international accounting standards 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 1.22. The financial statements have been prepared on a going concern basis; see note 1.1 for further details.

Items included in the financial statements are measured using the currency of the primary economic environment in which the Group operates ('functional currency'). The Group maintains its books and records in pound sterling ('£') and its 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 an interest rate 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.

Notes to the financial statements continued

1. Basis of preparation and significant accounting policies continued

1.3 Basis of preparation continued

Changes in accounting standards and policies since the last published Annual Report IBOR reform amendments continued

During the year ended 31 March 2022, the Group had transitioned the entirety of its interest rate swap portfolio to a SONIA index and all interest rate swap agreements entered into since are indexed to SONIA. The newly originated BTL loans with a fixed interest term that form the hedged item carry a reversion rate indexed to BBR which is closely aligned to the 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.

For the year ending 31 March 2023, 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, £380.5 million (2022: £622.6 million). £39.3 million of these loans have entered the reversion period and further £133.7 million is expected to revert to a LIBOR floating index before the Group transitions the entirety of this portfolio of Buy-to-Let loans to a BBR index by March 2024.

Since 2021 Q1, the Group has originated Buy-to-Let 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, but has compelled the IBA to continue to publish synthetic three-month LIBOR settings up until 28 March 2024.

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 2023 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 1 (Amendment regarding disclosures of accounting policies).
- 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).
- IAS 12 Income Taxes (Amendments regarding deferred tax on leases).
- IFRS 16 Leases (Amendments to clarify how a seller-lessee subsequently measures sale and leaseback transactions).

1.4 Foreign currency

Items included in the financial statements are measured using the 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 cash balances and short-term balances that are highly liquid and are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

1.6 Changes in the presentation of the Consolidated statement of profit and loss

The purpose of IAS 1 – Presentation of Financial Statements – is to prescribe the basis of general purpose financial statements, to ensure comparability both within the entity's financial statements of previous periods and the financial statements of other entities. During the year, the composition of the Consolidated statement of profit and loss has been amended to more clearly reflect the nature of the profits from operations and to align the Consolidated statement of profit and loss to wider industry standards to enable comparability.

The cost of sales and gross profit lines items as reported in the Consolidated statement of profit and loss in prior periods are not terms generally associated with financial services entities and the components of this line item has been reclassified to enhance comparability to our peers, in the following way:

The interest expense and funding line costs line items are directly related to the derivation of interest on loans and advances under IFRS 9 – Financial Instruments, and are reported as an element of net interest income. Origination fees, and asset management and fund fees, relate to fee income under IFRS 15 – Revenue recognition, and are reported as a component of net fee income. Please refer to notes 6–9 for enhanced disclosure of the composition of the amended line items.

The revised layout is a truer reflection of these two main categories of profit drivers:

- Net interest income: reflective of profits/losses from interest and similar charges accounted for under the effective interest rate basis as prescribed by IFRS 9 – Financial Instruments.
- Net fee income: reflective of profits from fees and similar income accounted for under IFRS 15 – Revenue from Contracts with Customers.

The table below shows the comparative position for those items which have been reclassified and where those amounts have been reclassified to in the Consolidated Statement of profit and loss.

Consolidated statement of profit and loss extract

	Year ended 31 March 2022 £'m
Gain on derecognition of financial assets	6.5
– Reported as gain on derecognition of financial assets	6.5
Cost of sales	(38.1)
– Amounts reclassified to interest expenses and similar charges	**(33.2)**
– Amounts reclassified to fee expenses	**(4.9)**
Finance income	1.2
– Amounts reclassified to interest and similar income	1.2
Finance expense	(0.4)
– Amounts reclassified to interest and similar charges	(0.2)
– Amounts reclassified to gain on derecognition of financial assets	(0.2)

This change has no effect on the Group's profits or net assets.

See note 1.8 for details of the recognition criteria of interest and fee income. See note 1.9 for details and interest expense recognition criteria and see note 1.10 for details of fee expense recognition criteria.

The term 'Gross profit' is not generally associated with financial services entities and has been removed from the Statement of Profit and Loss. The line items 'Net Interest Income', 'Net Fee Income' and 'Net Operating Income' have been added to the restated Statement of Profit and Loss to enhance comparability with our peers.

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 income calculated using the effective interest rate. 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. Net gains on derecognition of financial assets are recognised immediately upon a transfer resulting in derecognition of the loan and fees earned from borrowers and transaction costs incurred which were previously deferred under the effective interest rate method are crystallised. Other interest and similar income represents income related to derivative gains and bank interest income earned on cash deposits.

Recognised under IFRS 15:

Fee income recognised in the Consolidated statement of profit and loss represents the fees and performance obligations shown in the table below.

Revenue description within scope of IFRS 15	Category per note 8	Performance obligation	Timing and satisfaction of performance obligation	Allocation of transaction price
Extension fees	Fee income on loans and advances	When the tenure of the loan extends its original contractual term and/or amended loan terms are agreed with the customer	When amended tenure and/or terms are effective	Allocated as % of outstanding loan balance or agreed fixed consideration, based on the nature of the amendment
Separate account partnership fees	Fee income on origination of loans to third parties	Originate and transfer BTL loans to customer	Transfer of loans to customer	Allocated to each loan transferred (and of loan principal)
Servicing fees	Fee income on asset management	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	Fee income on asset management	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	Fee income on asset management	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	Fee income on asset management	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 Interest expense and similar charges
Interest expense and similar charges comprise and are recognised as follows:
- Interest expenses incurred on interest-bearing liabilities. These are recognised on an accruals basis.
- Non-utilisation fees are incurred on any interest-bearing liabilities that are unutilised. These are recognised on an accruals basis.
- Funding line amortisation of initial funding line set-up costs. These are recognised evenly over the life of the facility.
- Realised effective fair value changes of hedging instruments designated in qualifying hedging accounting relationships.

1.10 Fee expenses
Fee expenses are recognised as follows:
- Origination costs incurred on loans originated and immediately transferred to third parties under the separate account partnership are recognised in full at the point of origination and transfer in the Consolidated statement of profit and loss.
- 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.

1.11 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 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 and is recognised under administration expenses in the Consolidated statement of profit and loss:

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

1.12 Intangible fixed assets
Where it meets 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 20% per annum through administration expenses in the Consolidated statement of profit and loss.

A change has been made to the accounting estimate for the useful economic life of intangible fixed assets relating to the capitalisation of internally developed software expenditure. These assets have previously been amortised over a three-year period. This amortisation period has been increased to five years following a review of the useful economic life of intangible fixed assets previously created by the Group. This change has been applied on a prospective basis in the Consolidated statement of profit and loss. The change in accounting estimate has reduced the amortisation charge in the 12 month period to 31 March 2023 from £3.5m to £1.8m. The impact on future periods is detailed in the table below.

	Future amortisation					
Useful economic life	**NBV at 31 March 2023 £'m**	**Year ended 31 March 2024 £'m**	**Year ended 31 March 2025 £'m**	**Year ended 31 March 2026 £'m**	**Year ended 31 March 2027 £'m**	**Year ended 31 March 2028 £'m**
3 years	8.8	(4.1)	(3.3)	(1.4)	–	–
5 years	10.5	(2.5)	(2.5)	(2.4)	(2.1)	(1.0)

Software licences 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

1.13 Deposit interest receivable
Interest receivable on bank deposits is recognised on an accruals basis within 'Other interest and similar income' in the Consolidated statement of profit and loss.

1.14 Administrative expenses
Administrative expenses are recognised as an expense in the Consolidated statement of profit and loss on an accruals basis.

Notes to the financial statements continued

1. Basis of preparation and significant accounting policies continued

1.15 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.

1.16 Financial instruments

Recognition

Financial instruments are recognised in the Consolidated Statement of financial position when the Group attains the right/obligation to receive/deliver cash flows from the instrument and when the risks and rights associated with ownership are transferred to the Group.

Classification and measurement

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

Financial assets

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

(i) At amortised cost

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

The Group measures drawn loans and advances held under this business model, 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 calculated on the effective interest rate method and is subject to impairment where the recoverable value falls below the carrying value. This assessment is performed quarterly.

(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 measures drawn loans and advances held under this business model 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 Consolidated 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 (fair value reserve) are reclassified to profit or loss in the Consolidated 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 designates loan commitments as financial liabilities at fair value through profit or loss. The assets that result in origination of the loans are initially recognised at fair value adjusting for the recorded fair value to date.

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 fair value through profit or loss 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.

Forbearance

The Group maintains a forbearance policy for the servicing and management of customers who are in financial difficulty and require some form of concession to be granted, even if this concession entails a loss for the Group. A concession may be either of the following:

– a modification of the previous terms and conditions of an agreement, which the borrower is considered unable to comply with due to its financial difficulties, to allow for sufficient debt service ability, that would not have been granted had the borrower not been in financial difficulties; or
– a total or partial refinancing of an agreement that would not have been granted had the borrower not been in financial difficulties.

Forbearance in relation to an exposure can be temporary or permanent depending on the circumstances, progress on financial rehabilitation and the detail of the concession(s) agreed. The Group excludes short-term repayment plans that are up to three months in duration from its definition of forborne loans.

Modification of financial assets and financial liabilities

When a financial asset or financial liability is modified, a quantitative and qualitative evaluation is performed to assess whether or not the new terms are substantially different to the original terms. For financial assets, the Group considers the specific circumstances including:

– if the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay;
– whether any substantial new terms are introduced that substantially affects the risk profile of the loan;
– significant extension of the loan term when the borrower is not in financial difficulty;
– significant change in the interest rate; and
– insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

The Group specifically, but not exclusively, considers the outcome of the '10% test'. This involves a comparison of the cash flows before and after the modification, discounted at the original EIR, whereby a difference of more than 10% indicates the modification is substantial.

If the terms and cash flows of the modified financial instrument are deemed to be substantially different, the derecognition criteria are met and the original financial instrument is derecognised and a 'new' financial instrument is recognised at fair value. The difference between the carrying amount of the derecognised financial instrument and the new financial instrument with modified terms is recognised in the statement of profit and loss.

If the terms and cash flows of the modified financial instrument are not deemed to be substantially different, the financial instrument is not derecognised and the Group recalculates the 'new' gross carrying amount of the financial instrument based on the revised cash flows of the modified financial instrument discounted at the original EIR and recognises any associated gain or loss in the statement of profit and loss. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the financial instrument and are amortised over the remaining term of the modified financial instrument by recalculating the EIR on the financial instrument.

Derecognition

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.

Notes to the financial statements continued

1. Basis of preparation and significant accounting policies continued

1.17 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 transactions reported through the Consolidated statement of profit and loss.

1.18 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 Consolidated 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 Consolidated statement of profit and loss over the remaining vesting period.

1.19 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, affects 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.

1.20 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.

1.21 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.

1.22 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 probability of default ('PD') should be to trigger a move between credit risk stages for impairment requires significant judgement. Management has 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. Similarly significant judgement is also applied when assessing the risk of a default occurring following the modification of a financial asset that does not result in derecognition.

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, loss given default ('LGDs'), recovery costs and cure probabilities driven from the ECL models.

Estimates and assumptions
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 Group estimates the forfeiture rate of schemes based on the historic evidence of schemes that have been awarded in previous years. The assumptions for estimating the fair value for share-based payment transactions are disclosed in note 25.

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).

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. In the period ended 31 March 2022, significant uncertainty around the level and trajectory of UK inflation and the subsequent impacts on the wider economy led management to increase the downside weighting. 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.

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.

For the period ended 31 March 2023, management considers that the significant uncertainty that led to the increased downside weighting is adequately represented in the macroeconomic data and has reverted the scenario weightings to those provided by the macroeconomic data source across both Buy-to-Let and short-term ECL models as follows:
- 40%/40%/20% to the central, downside and upside scenarios.

Sensitivity analysis on ECL models
Sensitivity analyses have 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 the models. This would increase the ECL by £1.0 million.
- A 100% upside was applied to the models. This would decrease the ECL by £1.1 million.
- A 10% increase in the forced sale discount. This would increase the ECL by £0.2 million.
- A 20% increase in the unemployment rate (peak of 5.2%). This would increase the ECL by £0.1 million.
- A 20% decrease in UK house price inflation would increase the ECL by £0.5 million.

Notes to the financial statements continued

1. Basis of preparation and significant accounting policies continued

1.22 Critical accounting estimates and judgements continued

Estimates and assumptions continued

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

Effective interest rate revenue recognition

The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset.

The expected life of the financial asset is a significant area of judgement which is estimated using the observed behavioural performance of the assets over time and the business model under which they are managed by the Group. Using these metrics a repayment profile is derived and applied in determining the performing capital balance used to calculate expected future interest receipts.

1.23 Impairment of financial assets

Impairment of financial assets is calculated using a forward looking expected credit loss (ECL) model. ECLs are an unbiased probability weighted estimate of credit losses determined by evaluating a range of scenarios and possible outcomes. Further detail regarding the impairment of financial assets can be found in note 19.

1.24 Fair value of financial assets

Fair value is defined as the price expected to be received on sale of an asset in an orderly transaction between market participants at the measurement date. Where possible, fair value is determined with reference to quoted prices in an active market. A market is regarded as active if transactions for the asset take place with sufficient frequency and volume to provide pricing information on an ongoing basis. Where quoted prices are not available, generally accepted valuation techniques such as discounted cash flow models are used. Where possible these valuation techniques use independently sourced market parameters such as asset backed security spreads. Further detail regarding the fair value of financial assets can be found in note 26.

1.25 Prior period adjustments

(i) The Group has restated its March 2022 Consolidated statement of financial position, Consolidated statement of other comprehensive income, and Consolidated statement of changes in equity, in accordance with IFRS 9. This requires entities which use fair value hedge accounting where the hedged instrument compromises assets that are held at fair value through other comprehensive income to initially recognise the fair value gains or losses of the asset through other comprehensive income and subsequently reclassify amounts that relate to changes in the hedged risk from equity to profit or loss over the hedged period. For the year ending 31 March 2022, the Group was incorrectly recognising a separate fair value gain or loss in the Consolidated statement of financial position instead of reclassifying it through other comprehensive income. The prior period net assets of the Group have been increased by £5.8 million through this change. This change does not effect the Consolidated statement of profit and loss, the retained earnings of the Group or the earnings per share of the Group.

The comparative prior period opening Consolidated statement of financial position has not been included as it is not considered to show a material change to the financial statements. If shown, this would have reduced net assets and total equity by less than £0.1 million. Total assets would have been reduced by £2.5 million being the fair value adjustment for portfolio hedged risk asset. Instead the hedge accounting adjustment would have been recognised net of a deferred tax amount of £0.6 million through the Consolidated statement of other comprehensive, resulting in a net adjustment of £1.9 million. Total liabilities would have been reduced by £2.4 million fair value adjustment for portfolio hedged risk liability. The adjustment would have otherwise been reported through the Consolidated statement of other comprehensive net of a deferred tax amount of £0.6 million, leaving in a net adjustment of £1.8 million.

(ii) The Group has restated its March 2022 Consolidated statement of financial position and Consolidated statement of cash flows in accordance with IFRS 9. This requires accrued interest expense on interest-bearing liabilities to be included in the carrying value of the liability. For the year ended 31 March 2022, the Group was incorrectly recognising accrued interest expense on interest-bearing liabilities in trade and other payables instead of in interest-bearing liabilities. The trade of other payables of the Group have reduced by £2.8 million with a commensurate increase in the Group's interest-bearing liabilities on the Consolidated statement of financial position. An equivalent change has been made to the Consolidated statement of cash flows from the movements in these accounts.

This change does not impact the Consolidated statement of profit and loss, Consolidated statement of other comprehensive income or Consolidated statement of other changes in equity. There is no change to the earnings per share of the Group resulting from this change.

The comparative prior period opening Consolidated statement of financial position has not been included as it is not considered to show a material change to the financial statements. If shown, this would have reduced trade and other payables by £2.3 million and increased interest-bearing liabilities by £2.3 million. There would be no change to total liabilities, net assets or total equity.

Restated Consolidated statement of other comprehensive income

	Year ended 31 March 2022 (reported) £'m	Restatement £'m	Year ended 31 March 2022 (restated) £'m
Profit after taxation	**10.9**	**–**	**10.9**
Other comprehensive (loss)/income:			
Items that will or may be reclassified to profit or loss	–	–	–
Fair value loss on loans and advances measured at fair value through other comprehensive income	(30.4)	7.7	(22.7)
Cash flow hedge adjustment through other comprehensive income	29.2	–	29.2
Deferred tax credit on fair value movement	5.4	(1.9)	3.5
Deferred tax charge on cash flow hedge movement	(7.1)	–	(7.1)
Other comprehensive (loss)/income for the year	**(2.9)**	**5.8**	**2.9**
Total comprehensive income for the year	**8.0**	**5.8**	**13.8**

Restated Consolidated statement of changes in equity

	Share capital £'m	Share premium £'m	Own share reserve £'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 2021 (reported)	**–**	**17.5**	**–**	**1.6**	**28.8**	**(2.4)**	**4.4**	**49.9**
Restatement	–	–	–	–	0.1	–	–	**0.1**
Balance as at 31 March 2021 (restated)	**–**	**17.5**	**–**	**1.6**	**28.9**	**(2.4)**	**4.4**	**50.0**

Restated Consolidated statement of cash flows (extract)

	As at 31 March 2022 (reported) £'m	Adjustment (i) £'m	Adjustment (ii) £'m	As at 31 March 2022 (restated) £'m
Cash used in operating activities				
Increase in trade and other payables	21.3	–	(2.8)	18.5
Cash used in operating activities	**(145.1)**	**–**	**(2.8)**	**(147.9)**
Cash generated from financing activities				
Increase in interest-bearing liabilities	171.1	–	2.8	173.9
Cash generated from financing activities	**204.5**	**–**	**2.8**	**207.3**

1. Basis of preparation and significant accounting policies continued

1.25 Prior period adjustments continued

Restated Consolidated statement of financial position (extract)

	As at 31 March 2022 (reported) £'m	Adjustment (i) £'m	Adjustment (ii) £'m	As at 31 March 2022 (restated) £'m
Assets				
Fair value adjustment for portfolio hedged risk asset	1.7	(1.7)	–	–
Total assets	**1,377.9**	**(1.7)**	**–**	**1,376.2**
Liabilities				
Trade and other payables	(48.6)	–	2.8	(45.8)
Interest-bearing liabilities	(1,211.3)	–	(2.8)	(1,214.1)
Fair value adjustment for portfolio hedged risk liability	(9.4)	9.4	–	–
Deferred taxation	(6.6)	(1.9)	–	(8.5)
Total liabilities	**(1,280.4)**	**7.5**	**–**	**(1,272.9)**
Net assets	**97.5**	**5.8**	**–**	**103.3**
Equity				
Own share reserve	–	0.1	–	0.1
Fair value hedge reserve	–	5.7	–	5.7
Total equity	**97.5**	**5.8**	**–**	**103.3**

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 Consolidated 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 Consolidated 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 2021, the Group entered into an arrangement to sublet 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 lease liability relating to the head lease is unchanged by the new sublease arrangement. The Group's net investment in the sublease is included in the Consolidated statement of financial position as a separate line item.

	Net investment in sublease £'m	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 sublease	1.2	(1.2)	–
Depreciation expense	–	(0.9)	–
Interest expense	–	–	0.5
Payments – Interest	–	–	(0.5)
Payments – Principal	–	–	(0.9)
As at 1 April 2022	**1.2**	**2.4**	**4.1**
Depreciation expense	–	(0.6)	–
Interest expense	0.1	–	0.5
Payments – interest	–	–	(0.5)
Payments – principal	(0.3)	–	(0.9)
Dilapidations provision	–	–	0.1
As at 31 March 2023	**1.0**	**1.8**	**3.3**

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

Year ended 31 March 2023	Administrative expenses £'m	Interest expense £'m	Total £'m
Depreciation expense of right-of-use asset	0.7	–	0.7
Interest expense on lease liabilities	–	0.5	0.5
Total recognised in the Consolidated statement of profit and loss	**0.7**	**0.5**	**1.2**

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 Consolidated 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 Consolidated statement of profit and loss 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; and
- 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 are reported in the Consolidated statement of profit and loss through the other interest and similar income line item.

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 fair value adjustment movements through other comprehensive income if the hedged item is measured at fair value through other comprehensive income and then recycles immediately the amount of fair value movements due to the hedge risk into the statement of profit or loss. If the hedged item is measured at amortised costs the carrying amount will be adjusted for fair value movements due to the hedged risks and recorded through the statement of profit or loss. 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 Consolidate statement of profit and loss. The ineffective portion of the hedging instrument fair value movement is immediately recognised in the Consolidated statement of profit and loss.

The fair value movement deferred in the cash flow hedge reserve is subsequently 'recycled' to the Consolidated statement of profit and loss in the period when the underlying hedged risk item impacts the Consolidated statement of profit and loss. 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 Consolidated statement of profit and loss, through the interest expense and similar charges line item. If the hedged item is derecognised, the cumulative gain or loss in other comprehensive income is immediately recognised in the Consolidated statement of profit and loss through the other interest expense and similar charges line item.

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 measured at fair value 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)/gains from derivatives hedge accounting	Year ended 31 March 2023 £'m	Year ended 31 March 2022 £'m
(Losses)/gains from fair value hedge accounting[1]	(0.7)	0.1
Fair value gains from other derivatives[2]	5.8	1.1
Total gains included in other interest and similar income	**5.1**	**1.2**

1 All fair value hedges in place are portfolio hedges of interest rate risk exposure on originated financial assets.
2 This category 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 2023

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	(14.6)	13.9	(0.7)

The fair value hedge ineffectiveness is reported through the interest and similar income line item of the consolidated statement of profit and loss.

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

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 2023

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	(12.9)	12.9	–	12.9

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

1 Change in fair value used in determining hedge ineffectiveness.

£6.6 million of derivative fair value gains designated in a cash flow hedge relationship with loan note interest payments and deferred through the cash flow hedge reserve in prior periods were recycled through interest in the consolidated statement of profit and loss. A further £22.9 million of derivative fair value gains held in the cash flow hedge reserve was recycled to interest expense on derecognition of the hedged item (loan note securities) which were redeemed upon recall of the associated securitised assets.

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 2023			As at 31 March 2022		
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	527.8	13.9	–	289.0	9.3	–
Cash flow hedge:						
SONIA indexed interest rate swaps	236.3	21.8	–	714.9	23.2	–
Not subject to hedge accounting:						
SONIA indexed interest rate swaps[1]	15.0	10.3	–	–	–	–
Total	**779.1**	**46.0**	**–**	**1,003.9**	**32.5**	**–**

1 Includes FV gains on forward starting swaps now designated in FVH.

3.6 Contractual maturity of hedging instruments notional amounts

As at 31 March 2023 Macro fair value hedge:	Less than one year £'m	Between one and five years £'m	Over five years £'m	Total £'m
SONIA indexed interest rate swaps	138.9	241.7	147.2	527.8
Cash flow hedge:				
SONIA indexed interest rate swaps	25.1	211.2	–	236.3
Other:				
SONIA indexed interest rate swaps	–	12.5	2.5	15.0
Total	**164.0**	**465.4**	**149.7**	**779.1**

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**

3.7 Carrying amount of hedged items

	As at 31 March 2023		As at 31 March 2022	
Macro fair value hedge:	Notional amount £'m	Fair value change of hedged risk £'m	Notional amount £'m	Fair value change of hedged risk £'m
Buy-to-Let mortgage loans	501.3	14.6	289.0	9.3
Cash flow hedge:				
Interest-bearing securities (loan notes)	236.3	21.8	714.9	23.2
Total	**737.6**	**36.4**	**1,003.9**	**32.5**

For the fair value hedges £0.1m has been recorded as a fair value hedge adjustment to the carrying amount in the statement of financial position for hedged items carried at amortised cost. For all other fair value hedges the fair value movements due to the hedged risk has been recycled from other comprehensive income to profit or loss.

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 Group's competitiveness and flexibility.

Notes to the financial statements continued

4. Financial risk management continued

Risk factors

The Group has exposure to the following risks from its use of financial instruments: credit risk, liquidity risk, and 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 loans and advances 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 2023 £'m	31 March 2022 £'m
Loans and advances	1,122.9	1,209.1
Investment securities	23.9	–
Derivative financial asset	46.0	–
Trade and other receivables	4.2	3.6
Cash and cash equivalents	46.7	118.2
	1,243.7	**1,330.9**

The Group manages its exposure to credit losses on loans and advances 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.

Investment securities held by the Group relate to a 5% retained position in structured securitisation entities that are no longer consolidated. Recoverability of these amounts is linked to the underlying loan portfolios within the structured securitisation entities and is assessed with reference to publicly available information on the underlying securitisation vehicles. Additionally, credit enhancement measures within the securitisation structure reduce the Group's exposure to credit losses.

Derivative financial assets are held by the Group for the purpose of hedging interest rate risk. Credit risk is mitigated on these assets as the derivative counterparties are with reputable institutions. The counterparties have a Fitch credit rating of at least A+ (stable), denoting high credit quality.

Trade and other receivables principally comprise amounts due from related companies. The recoverability of these amounts is reviewed on an ongoing basis, at least annually.

The fair value of cash and cash equivalents at 31 March 2023 and 31 March 2022 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. These institutions have a Moody's credit rating of Prime-1 (superior ability to repay short-term debt obligations).

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. New loans are capped at 85% 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.

(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, or sale to third party purchasers.

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

As at 31 March 2023 Financial assets	Carrying amount £'m	Gross nominal inflow/(outflow) £'m	Amount due in less than six 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	46.7	46.7	46.7	–	–	–
Trade and other receivables	4.2	4.2	3.0	–	1.2	–
Loans and advances	1,122.9	1,927.1	205.3	164.6	203.9	1,353.3
Derivative financial asset	46.0	46.0	9.1	7.9	26.4	2.6
Investment securities	23.9	25.6	11.1	0.4	14.1	–
	1,243.7	**2,049.6**	**275.2**	**172.9**	**245.6**	**1,355.9**
Financial liabilities						
Trade and other payables	(22.3)	(22.3)	(22.3)	–	–	–
Interest bearing liabilities	(1,159.3)	(1,369.2)	(219.2)	(347.7)	(409.1)	(393.2)
Derivative financial liability	–	–	–	–	–	–
Lease liability	(3.3)	(3.8)	(0.7)	(0.7)	(2.4)	–
Total	**(1,184.9)**	**(1,395.3)**	**(242.2)**	**(348.4)**	**(411.5)**	**(393.2)**

Loans and advances greater than five years are partly funded through the Group's securitisation vehicle (Mortimer 2021-1 BTL Plc) which has a final maturity of June 2053, in line with the corresponding loan maturities. The maturity profile of the loan notes presented above within interest bearing liabilities is based on the contractual maturity. Subsequent to the financial year end the Group sold its residual interest in Mortimer 2021-1 BTL Plc and prior to this it was the Group's expectation to exercise the option to repurchase the underlying loan portfolios to redeem the liabilities, and to refinance them by June 2026.

As at 31 March 2022 (restated) Financial assets	Carrying amount £'m	Gross nominal inflow/(outflow) £'m	Amount due in less than six 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	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	(45.3)	(45.3)	(45.3)	–	–	–
Interest bearing liabilities	(1,214.1)	(1,658.1)	(58.8)	(3.8)	(443.8)	(1,151.7)
Derivative financial liability	–	–	–	–	–	–
Lease liability	(4.1)	(5.1)	(0.7)	(0.7)	(3.7)	–
Total	**(1,263.5)**	**(1,708.5)**	**(104.8)**	**(4.5)**	**(447.5)**	**(1,151.7)**

4. Financial risk management continued

Risk factors continued

(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 three-month LIBOR or three-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 notes 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 and loss		Equity (net of tax)	
31 March 2023	**100 bp increase £'m**	**100 bp decrease £'m**	**100 bp increase £'m**	**100 bp decrease £'m**
Interest rate swaps	41.5	5.7	19.8	12.7
Cash and cash equivalents	0.5	(0.5)	–	–
Loans and advances	0.8	(0.8)	(19.0)	20.0
Investment securities	0.3	(0.3)	–	–
Interest-bearing liabilities	(10.1)	10.1	–	–
31 March 2022				
Interest rate swaps	20.7	(2.7)	29.7	4.6
Cash and cash equivalents	1.2	(1.2)	–	–
Loans and advances	0.4	(0.4)	(22.5)	23.6
Interest-bearing liabilities	(10.6)	10.6	–	–

The profit and loss figures for cash and cash equivalents, loan and advances, investment securities and interest bearing liabilities represent the effect on interest receipts and payments recorded through profit and loss resulting from changes in interest rates. The figures shown under the equity columns for loans and advances reflect the expected change to fair value measured through other comprehensive income.

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.

The sensitivity analysis of the Group's loan assets with interest rate exposure is disclosed in note 26 (d).

(v) Capital management

The Group considers its capital to comprise 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.

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.

Year ended 31 March 2023 Consolidated statement of profit and loss information	Short-term lending £'m	Buy-to-Let lending £'m	Central £'m	Total £'m
Interest income calculated using the effective interest rate	25.2	42.9	–	68.1
Other interest and similar income	–	5.1	–	5.1
Interest expense and similar charges	(16.5)	(18.3)	–	(34.8)
Net interest income	**8.7**	**29.7**	**–**	**38.4**
Fee income	9.1	4.4	–	13.5
Fee expenses	(1.0)	(1.3)	–	(2.3)
Net fee income	**8.1**	**3.1**	**–**	**11.2**
Net gains on derecognition of financial assets	1.1	3.8	–	4.9
Net other operating income	–	–	0.2	0.2
Net operating income	**17.9**	**36.6**	**0.2**	**54.7**
Administrative expenses	–	–	(34.5)	(34.5)
Impairment losses on financial assets	(5.5)	(0.4)	–	(5.9)
Total operating expenses	**(5.5)**	**(0.4)**	**(34.5)**	**(40.4)**
Profit before tax	**12.4**	**36.2**	**(34.3)**	**14.3**

Year ended 31 March 2022 (restated) Consolidated statement of profit and loss information	Short-term lending £'m	Buy-to-Let lending £'m	Central £'m	Total £'m
Interest income calculated using the effective interest rate	24.7	33.9	–	58.6
Other interest and similar income	–	1.2	–	1.2
Interest expense and similar charges	(15.0)	(18.4)	–	(33.4)
Net interest income	**9.7**	**16.7**	**–**	**26.4**
Fee income	13.5	9.2	–	22.7
Fee expenses	(1.8)	(3.1)	–	(4.9)
Net fee income	**11.7**	**6.1**	**–**	**17.8**
Net gains on derecognition of financial assets	2.6	3.7	–	6.3
Net operating income	**24.0**	**26.5**	**–**	**50.5**
Administrative expenses	–	–	(31.9)	(31.9)
Impairment losses on financial assets	–	–	(4.4)	(4.4)
Total operating expenses	**–**	**–**	**(36.3)**	**(36.3)**
Profit before tax	**24.0**	**26.5**	**(36.3)**	**14.2**

Notes to the financial statements continued

5. Segmental analysis continued

Buy-to-Let lending continued

As at 31 March 2023 Consolidated statement of financial position information	Short-term lending £'m	Buy-to-Let lending £'m	Central £'m	Total £'m
Assets				
Loans and advances	329.9	793.0	–	1,122.9
Fair value adjustment for portfolio hedged risk asset	–	0.1	–	0.1
Derivative financial asset	–	46.0	–	46.0
Total segment assets	329.9	839.1	–	1,169.0
Cash and cash equivalents	–	–	46.7	46.7
Trade and other receivables	–	–	6.1	6.1
Property, plant and equipment	–	–	2.2	2.2
Investment in securities	–	–	23.9	23.9
Net investment in sublease	–	–	1.0	1.0
Intangible fixed assets	–	–	10.5	10.5
Investment in joint venture	–	–	0.2	0.2
Investment in third parties	–	–	2.0	2.0
Deferred taxation	–	–	1.2	1.2
Total assets	**329.9**	**839.1**	93.8	1,262.8
Liabilities				
Interest-bearing liabilities	(331.5)	(827.8)	–	(1,159.3)
Total segment liabilities	**(331.5)**	**(827.8)**	–	(1.159.3)
Trade and other payables	–	–	(23.7)	(23.7)
Lease liabilities	–	–	(3.3)	(3.3)
Total liabilities	**(331.5)**	**(827.8)**	(27.0)	(1,186.3)

As at 31 March 2022 (restated) Consolidated statement of financial position information	Short-term lending £'m	Buy-to-Let lending £'m	Central £'m	Total £'m
Assets				
Loans and advances	186.5	1,022.6	–	1,209.1
Derivative financial asset	–	32.5	**–**	**32.5**
Total segment assets	**186.5**	**1,055.1**	**–**	**1,241.6**
Cash and cash equivalents	–	–	118.2	118.2
Trade and other receivables	–	–	6.3	6.3
Property, plant and equipment	–	–	2.8	2.8
Net investment in sublease	–	–	1.2	1.2
Intangible fixed assets	–	–	6.1	6.1
Total assets	**186.5**	**1,055.1**	**134.6**	**1,376.2**
Liabilities				
Interest-bearing liabilities	(195.3)	(1,018.8)	–	(1,214.1)
Total segment liabilities	**(195.3)**	**(1,018.8)**	**–**	**(1,214.1)**
Trade and other payables	–	–	(45.8)	(45.8)
Corporation tax payable	–	–	(0.4)	(0.4)
Lease liabilities	–	–	(4.1)	(4.1)
Deferred taxation	–	–	(8.5)	(8.5)
Total liabilities	**(195.3)**	**(1,018.8)**	**(58.8)**	**(1,272.9)**

6. Interest and similar income

	Year ended 31 March 2023 £'m	Year ended 31 March 2022 (restated[1]) £'m
Interest income calculated using the effective interest rate method		
On loans and advances to customers	66.5	58.6
On investment securities	0.6	–
On cash deposits	1.0	–
Total interest income calculated using the effective interest rate method	**68.1**	**58.6**
Other interest and similar income		
On derivative financial instruments and hedge accounting	5.1	1.2
Total other interest and similar income	**5.1**	**1.2**
Total interest and similar income	**73.2**	**59.8**

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

7. Interest expense and similar expense

	Year ended 31 March 2023 £'m	Year ended 31 March 2022 (restated[1]) £'m
On amounts due to funding partners	(21.6)	(12.0)
On debt securities in issue	(10.0)	(18.0)
Funding line cost amortisation	(3.2)	(3.4)
Total interest expense and similar charges	**(34.8)**	**(33.4)**

1 See note 1.6 for details of the change in presentation of the Consolidated statement of profit and loss.

Interest expense is recognised with reference to the accounting policy detailed in note 1.9.

8. Net fee income

	Year ended 31 March 2023 £'m	Year ended 31 March 2022 (restated[1]) £'m
Fee income on loans and advances	1.9	2.9
Fee income on asset management	8.8	11.3
Fee income on origination of loans to third parties	2.8	8.5
Fee income	**13.5**	**22.7**
Fee expense on origination of loans to third parties	(1.5)	(3.2)
Fee expense on asset management	(0.8)	(1.7)
Fee expense	**(2.3)**	**(4.9)**
Net fee and commission income	**11.2**	**17.8**

1 See note 1.6 for details of the change in presentation of the Consolidated statement of profit and loss.

Fee income and expense are recognised with reference to the accounting policy detailed in notes 1.8 and 1.10.

9. Derecognition of financial assets

	Year ended 31 March 2023 £'m	Year ended 31 March 2022 (restated[1]) £'m
Net gains on sale of loans and loan portfolios	1.1	6.3
Net gains on derecognition of securitised loan portfolios	3.8	–
Net gains on derecognition of financial assets	**4.9**	**6.3**

1 See note 1.6 for details of the change in presentation of the Consolidated statement of profit and loss.

10. Profit from operations

Profit from operations has been stated after charging:

	Year ended 31 March 2023 £'m	Year ended 31 March 2022 £'m
Wages and salaries	18.0	15.8
Depreciation and amortisation	2.1	2.8
Depreciation of right-of-use asset	0.7	0.8
Interest expense – lease liabilities	0.5	0.5
Fees payable to the auditors for the audit of the financial statements	1.0	0.5
Audit-related assurance services	0.1	0.1
Fees payable to the auditors for other assurance services	–	–
Share-based payment charge	1.9	1.2
IPO Costs	–	1.6

Other administrative expenses are incurred in the ordinary course of the business and do not require further disclosure under IAS 1. Included within the £1.0 million of fees payable to the auditors for the audit of the financial statements, includes fees payable to the auditors for the audit of the financial statements of the subsidiaries, amounting to £323,000 (FY22: 116,000).

Non-recurring items

The Group recorded £1.6 million of non-recurring costs in the consolidated statement of profit and loss for the prior period, the year ended 31 March 2022, relating to the listing onto the London Stock Exchange. This is aggregated as part of administrative expenses but is deemed as infrequent or non-recurring items by management. It has been highlighted in the Consolidated statement of profit and loss and recognised as exceptional operational expenditure to aid users in making an informed assessment of the Group's revenue-generating unit.

11. Employee benefit expense

Employee benefit expense (including Directors) comprises:

	Year ended 31 March 2023 £'m	Year ended 31 March 2022 £'m
Wages and salaries	18.0	15.6
Defined contribution pension cost	0.6	0.5
Share-based payment charge	1.9	1.2
Social security contributions and similar taxes	2.2	1.9
	22.7	**19.2**

During the year, share options and Ordinary Shares were issued to employees of the Company, see note 25 for further details.

12. Number of employees and key management compensation

The average monthly number of employees during the year was:

	Year ended 31 March 2023 Number	Year ended 31 March 2022 Number
Technology and product	60	45
Operations and administration	134	112
Sales and marketing	35	30
	229	187

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 46 to 47.

	Year ended 31 March 2023 £'m	Year ended 31 March 2022 £'m
Salary, short-term benefits and pension	1.5	1.3
Equity-based compensation	0.1	0.1
	1.6	**1.4**

The highest paid Director in the year was paid £437,424 (2022: £413,129). Further details on Directors' remuneration are disclosed in the Remuneration Report in the Corporate Governance section of the Annual Report and Accounts on pages 61 to 67.

Notes to the financial statements continued

13. Taxation on profit on ordinary activities

	Year ended 31 March 2023 £'m	Year ended 31 March 2022 £'m
Tax expense		
Current tax:		
Current tax on profit for the year	2.5	3.0
Adjustments in respect of prior periods	(0.3)	0.6
Foreign taxes	0.1	–
Total current tax charge	**2.3**	**3.6**
Deferred tax:		
Origination and reversal of temporary differences	0.2	(0.2)
Adjustments in respect of prior periods	0.4	(0.1)
Total deferred tax charge/(credit)	0.6	(0.3)
Total tax charge	**2.9**	**3.3**
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	14.3	14.2
Profit before tax multiplied by the standard rate of corporation tax of 19%	2.7	2.7
Tax effects of:		
Research and development tax credit[1]	–	(0.1)
IPO costs not deductible	–	0.2
Foreign taxes charged	0.1	–
(Over)/under provision of current tax	(0.3)	0.6
(Under)/over provision of deferred tax	0.4	(0.1)
Total tax charge	**2.9**	**3.3**

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 would 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 2023 £'m	Year ended 31 March 2022 (restated) £'m
Deferred tax assets	10.8	1.3
Deferred tax liabilities	(9.6)	(9.8)
Net deferred tax assets/(liabilities)	**1.2**	**(8.5)**

Given the corporate tax rate change to 25%, which came into effect from 1 April 2023, in the previous financial year the Group had previously valued its deferred tax liability in respect of fair value gains through OCI at 25%. However, as there was uncertainty over when the remainder of the net deferred tax asset would be reclassified to current tax, the Group took the prudent position to minimise the value of the asset and hold the remainder at 19%. Now the rate change has taken effect, the remainder of the deferred tax asset has been subject to a deferred tax rate change adjustment through the Consolidate statement of profit and loss to increase the value to 25%.

The movements during the year are analysed as follows:

	Year ended 31 March 2023 £'m	Year ended 31 March 2022 (restated) £'m
Net deferred tax liabilities at the beginning of the year	**(8.5)**	**(5.8)**
(Charge)/credit to the statement of profit and loss for the year	(0.2)	0.2
Credit to other comprehensive income	10.0	(1.3)
Rate change through other comprehensive income	–	(2.3)
Rate change through equity	0.2	–
Credit to equity	0.1	0.6
(Under)/over provision of deferred tax	(0.4)	0.1
Net deferred tax assets/(liabilities) at the end of the year	**1.2**	**(8.5)**

Category of deferred tax

2023	Opening balance (restated) £'m	Credit to equity £'m	Charge to the statement of profit and loss – CY £'m	Credit/(charge) through OCI – CY £'m	Charge to the statement of profit and loss – PY £'m	Rate change through profit and loss £'m	Rate change through equity £'m	Closing balance £'m
Share and share option schemes	1.1	0.1	–	–	(0.1)	0.1	0.2	1.4
IFRS 16 transitional adjustment	0.1	–	–	–	–	–	–	0.1
Fair value on loans and advances	(3.2)	–	–	8.8	–	–	–	5.6
Cash flow hedge adjustment	(6.6)	–	–	1.2	–	–	–	(5.4)
Research & development	–	–	(0.2)	–	(0.3)	(0.1)	–	(0.6)
IFRS 9 ECL provision	0.1	–	–	–	–	–	–	0.1
	(8.5)	**0.1**	**(0.2)**	**10.0**	(0.4)	–	0.2	1.2

2022 (restated)	Opening balance £'m	Credit to equity £'m	Credit to the statement of profit and loss – CY £'m	Credit/(charge) through OCI – CY £'m	Credit to the statement of profit and loss – PY £'m	Rate change through OCI – 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 (restated)	(6.8)	–	–	4.3	–	(0.7)	(1.2)
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**	**(1.3)**	**0.1**	**(2.3)**	**(8.5)**

Notes to the financial statements continued

14. Dividends

The Company paid £7.9m of dividends during the year. Of the £7.9m paid, £6.1m relates to the final dividend for the year ended 31 March 2022, and £1.8m relates to the interim dividend for the year ended 31 March 2023 (2022: £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 £'m	Total
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**
Additions	0.2	–	–	–	0.2
Disposals	(0.1)	–	–	–	(0.1)
Balance as at 31 March 2023	**0.4**	**0.1**	**0.4**	**5.2**	**6.1**

Accumulated depreciation and impairment	Computer equipment £'m	Furniture and fittings £'m	Leasehold improvements £'m	Right-of-use asset £'m	Total
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**
Charge for the year	0.1	–	0.1	0.6	0.8
Disposals	(0.1)	–	–	–	(0.1)
Balance as at 31 March 2023	**0.2**	**0.1**	**0.2**	**3.4**	**3.9**
Net carrying value as at 31 March 2023	**0.2**	**–**	**0.2**	**1.8**	**2.2**
Net carrying value as at 31 March 2022	0.1	–	0.3	2.4	2.8

Lease commitment

Future minimum payments under non-cancellable leases:

Premises	Year ended 31 March 2023 £'m	Year ended 31 March 2022 £'m
Due within a year	1.1	1.0
Due between one and five years	2.2	3.1
Due later than five years	–	–
	3.3	**4.1**

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 £0.1 million (2022: £0.1 million). The Group and the Company have no significant contingent liabilities at year end.

16. Intangibles

Premises	Software licences £'m	Internally developed software £'m	Total £'m
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**
Additions	–	6.3	6.3
Balance as at 31 March 2023	**0.7**	**18.3**	**19.0**

Accumulated amortisation and impairment	Software licences £'m	Internally developed software £'m	Total £'m
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**
Charge for the year	0.1	1.8	1.9
Balance as at 31 March 2023	**0.7**	**7.8**	**8.5**
Net carrying value as at 31 March 2023	**–**	**10.5**	**10.5**
Net carrying value as at 31 March 2022	0.1	6.0	6.1

Internally developed software development has been capitalised as an intangible asset and is being amortised over five years. This amortisation period has been increased from three years in the previous reporting period. See note 1.12 for more details, including the impact on future periods. 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 2023 £'m	Year ended 1 March 2022 £'m
Trade receivables	0.5	1.3
Other receivables:		
– Prepayments and accrued income	1.9	2.7
– Corporate tax receivable	–	–
– Other receivables	2.5	1.1
Due after one year		
Rent deposit	1.2	1.2
	6.1	**6.3**

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 2023 £'m	Year ended 31 March 2022 £'m
Cash at bank and in hand	40.4	99.3
Trustees' account	6.3	18.9
	46.7	**118.2**

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 21).

19. Loans and advances

	Year ended 31 March 2023 £'m	Year ended 31 March 2022 £'m
Gross loans and advances	1,168.5	1,214.9
ECL provision	(9.1)	(11.0)
Fair value adjustment[1]	(36.5)	5.2
Loans and advances	**1,122.9**	**1,209.1**

1 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 2022	**(11.0)**
Additional provisions made during the period[1]	(7.7)
Utilised in the period[2]	9.6
Under IFRS 9 at 31 March 2023	**(9.1)**

1 The ECL provision of £9.1 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 £7.7 million (2022: £5.5 million). This includes the £6.0 million (2022: £4.4 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 £1.7 million (2022: £1.1 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 £8.4 million (2022: £9.0 million).

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).

Analysis of loans and advances by stage

Year ended 31 March 2023	Stage 1 £'m	Stage 2 £'m	Stage 3 £'m	Total £'m
Gross loans and advances	935.7	196.7	36.1	**1,168.5**
ECL provision	(0.5)	(1.3)	(7.3)	**(9.1)**
Fair value adjustment	(32.9)	(3.6)	–	**(36.5)**
Loans and advances	**902.3**	**191.8**	**28.8**	**1,122.9**

The maximum loan-to-value ('LTV') on stage 1 loans is 82%. The maximum LTV on stage 2 loans is 87%. The maximum LTV on stage 3 loans is 247% and the total value of collateral (capped at the gross loan value) held on stage 3 loans is £34.3 million.

Year ended 31 March 2022	Stage 1 £'m	Stage 2 £'m	Stage 3 £'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.

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 probability of default. An asset is deemed to have a significant increase in credit risk where:
  - The creditworthiness of the borrower deteriorates such that their risk grade increases by at least one grade compared with that at origination;
  - The borrower falls more than one month in arrears;
  - LTV exceeds 85% for Buy-to-Let and Bridging; and
  - For Development assets, where a development will not meet practical completion by the date anticipated at origination.
- 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 ECLs are always measured on a lifetime basis.

Where there is objective evidence that asset quality has improved, assets 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; and
- 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.

Notes to the financial statements continued

19. Loans and advances continued

Analysis of loans and advances by stage continued

Critical accounting estimates relating to the impairment of financial assets:

The calculation of ECLs requires the Group to make a number of assumptions and estimates. The accuracy of the ECL calculation would be impacted by movements in the forward-looking economic scenarios used, or the probability weightings applied to these scenarios and by unanticipated changes to model assumptions that differ from actual outcomes.

The key assumptions and estimates that, depending on a range of factors, could result in a material adjustment in the next financial year relate to the use of forward-looking information in the calculation of ECLs and the inputs and assumptions used in the ECL models.

Additional information about both of these areas is set out below.

Forward-looking information

The Group incorporates forward-looking information into the calculation of ECLs and the assessment of whether there has been a significant increase in credit risk ('SICR'). The use of forward-looking information represents a key source of estimation uncertainty.

The Group uses three forward-looking economic scenarios:

- 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 macroeconomic data inputs applied in determining the Group's expected credit losses are sourced from Oxford Economics (a third-party provider of global economic forecasting and analysis).

Oxford Economics combines two decades of forecast errors with its quantitative assessment of the current risks facing the global and domestic economy to produce robust forward-looking distributions for the economy.

Using specific percentile points in the distribution of several key metrics such as GDP, unemployment, house prices and commercial real estate prices, we receive three alternative scenarios relating to a base case (most likely), downside (broadly equivalent to a one-in-ten year event) and a moderate upside scenario. Our assumptions on the likely out-turn represents a weighted average of these three scenarios provided by Oxford Economics, and are detailed below:

Macro assumptions	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Real GDP growth (% growth YoY)										
Base	0.01%	0.60%	2.40%	2.62%	1.43%	1.44%	1.33%	1.36%	1.37%	1.38%
Upside	0.00%	5.90%	3.80%	3.80%	1.30%	1.30%	1.20%	1.20%	1.20%	1.20%
Downside	0.01%	-3.84%	1.70%	2.25%	1.54%	1.56%	1.44%	1.47%	1.49%	1.49%
Unemployment %										
Base	3.87%	4.26%	4.04%	3.76%	3.75%	3.75%	3.75%	3.75%	3.75%	3.75%
Upside	3.87%	3.22%	2.40%	2.12%	2.16%	2.27%	2.39%	2.50%	2.61%	2.73%
Downside	3.87%	5.58%	6.60%	6.93%	6.71%	6.50%	6.29%	6.08%	5.88%	5.67%
House price inflation										
Base	1.16%	-7.15%	-2.06%	2.68%	5.93%	5.07%	3.70%	3.39%	3.37%	3.40%
Upside	1.16%	-1.45%	1.59%	6.38%	5.68%	4.82%	3.45%	3.14%	3.11%	3.15%
Downside	1.16%	-13.37%	-6.72%	-2.58%	6.32%	5.45%	4.07%	3.77%	3.74%	3.77%
Commercial real estate (% growth YoY)										
Base	-10.08%	3.34%	2.16%	3.11%	1.80%	1.68%	1.29%	1.22%	1.11%	1.02%
Upside	-10.08%	15.50%	4.08%	3.83%	-0.48%	-0.15%	-0.17%	0.04%	0.16%	0.25%
Downside	-10.08%	-6.39%	1.63%	3.44%	3.56%	3.09%	2.42%	2.12%	1.83%	1.60%

GDP, unemployment rates and HPI are key metrics that indicate the appetite for credit within the economy, the ability of borrowers to service debt and value of underlying securities that underpin credit risk management; all of which directly impact the Group's operational activities and success.

The probability weightings applied to the above scenarios are another area of estimation uncertainty. They are generally set to ensure that there is an asymmetry in the ECL. The probability weightings applied to the three economic scenarios used are as follows:

	Year ended 31 March 2023	Year ended 31 March 2022
Base	40%	45%
Upside	40%	50%
Downside	20%	5%

In the period ended 31 March 2022, significant uncertainty around the level and trajectory of UK inflation and the subsequent impacts on the wider economy led management to increase the downside weighting (as per the table above).

For the period ended 31 March 2023, management considered that the significant uncertainty that led to the increased downside weighting is adequately represented in the macroeconomic data and have reverted the scenario weightings to those provided by the macroeconomic data source across both Buy-to-Let and short-term ECL models.

The Group undertakes a review of its economic scenarios and the probability weightings applied at least quarterly, and more frequently if required.

The results of this review are recommended to the Audit & Risk Committee and the Board prior to any changes being implemented.

Scenario	ECL £'m
Expected credit losses under 100% upside	7.9
Expected credit losses under 100% downside	10.0

Model estimations

ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. The Group considers the key assumptions impacting the ECL calculation to be within the PD and LGD. Sensitivity analysis is performed by the Group to assess the impact of changes in these key assumptions on the loss allowance recognised on loans and advances.

A summary of the key assumptions and sensitivity analysis as at 31 March 2023 is provided in the following table:

Assumption	Sensitivity analysis
Unemployment	A 20% increase in the unemployment rate would increase the total loss allowance by £0.1m
Forced sale discount	A 10% absolute increase in the forced sale discount would increase the loss allowance cost on loans and advances by £0.2m

19. Loans and advances continued

Movement analysis of net loans by stage

	Stage 1 £'m	Stage 2 £'m	Stage 3 £'m	Total £'m
As at 1 April 2022	**1,029.1**	**153.5**	**26.5**	**1,209.1**
Transfer to stage 1	40.5	(40.5)	–	–
Transfer to stage 2	(103.8)	104.7	(0.9)	–
Transfer to stage 3	(10.5)	(5.3)	15.8	–
New financial assets originated	621.6	–	–	621.6
New financial assets originated and transferred to stage 2 or stage 3	(102.7)	99.1	3.6	–
Financial assets which have repaid	(149.4)	(58.7)	(12.6)	(220.7)
Balance movements in loans	(422.6)	(61.0)	(3.5)	(487.1)
Total movement in loans and advances	**(126.9)**	**38.3**	**2.4**	**(86.2)**
As at 31 March 2023	**902.2**	**191.8**	**28.9**	**1,122.9**

	Stage 1 £'m	Stage 2 £'m	Stage 3 £'m	Total £'m
As at 1 April 2021	**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)
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**

Movement analysis of gross loans by stage

	Stage 1 £'m	Stage 2 £'m	Stage 3 £'m	Total £'m
As at 1 April 2022	**1,025.7**	**153.4**	**35.8**	**1,214.9**
Transfer to stage 1	40.3	(40.3)	–	–
Transfer to stage 2	(103.6)	104.5	(0.9)	–
Transfer to stage 3	(10.5)	(5.4)	15.9	–
New financial assets originated	645.2	–	–	645.2
New financial assets originated and transferred to stage 2 or stage 3	(106.1)	102.4	3.7	–
Financial assets which have repaid	(147.7)	(59.1)	(13.4)	(220.2)
Balance movements in loans	(407.6)	(58.8)	(2.0)	(468.4)
Write-offs	–	–	(3.0)	(3.0)
Total movement in loans and advances	**(90.0)**	**43.3**	**0.3**	**(46.4)**
As at 31 March 2023	**935.7**	**196.7**	**36.1**	**1,168.5**

	Stage 1 £'m	Stage 2 £'m	Stage 3 £'m	Total £'m
As at 1 April 2021	**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 and advances	**249.8**	**(67.7)**	**3.5**	**185.6**
As at 31 March 2022	**1,025.7**	**153.4**	**35.8**	**1,214.9**

Movement analysis of ECL by stage

	Stage 1 £'m	Stage 2 £'m	Stage 3 £'m	Total £'m
As at 1 April 2022	**0.2**	**0.9**	**9.9**	**11.0**
Transfer to stage 1	0.3	(0.3)	–	–
Transfer to stage 2	–	0.1	(0.1)	–
Transfer to stage 3	–	(0.1)	0.1	–
New financial assets originated	1.2	–	–	1.2
New financial assets originated and transferred to stage 2 or stage 3	(0.9)	0.7	0.2	–
Financial assets which have repaid	–	(0.3)	(1.0)	(1.3)
Changes in models/risk parameters	(0.3)	0.2	6.1	6.0
Adjustments for interest on impaired loans	–	–	1.8	1.8
Write-offs	–	–	(9.6)	(9.6)
Total movement in impairment provision	**0.3**	**0.3**	**(2.5)**	**(1.9)**
As at 31 March 2023	**0.5**	**1.2**	**7.4**	**9.1**

No POCI loans were originated during the year to 31 March 2023 and none are held at 31 March 2023.

19. Loans and advances continued

Movement analysis of ECL by stage continued

	Stage 1 £'m	Stage 2 £'m	Stage 3 £'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.

Credit risk on gross loans and advances

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

In the year to 31 March 2022, the underlying methodology was changed to better align loss forecasting with portfolio risk. A ten-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.

Year ended 31 March 2023	Stage 1 £'m	Stage 2 £'m	Stage 3 £'m	Total £'m
Risk Grades 1–5	934.2	170.2	–	**1,104.4**
Risk Grades 6–9	1.5	26.5	–	**28.0**
Default	–	–	36.1	**36.1**
Total	**935.7**	**196.7**	**36.1**	**1,168.5**

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**

Critical judgements relating to the impairment of financial assets

The Group reviews and updates the key judgements relating to impairment of financial assets bi-annually, in advance of the Interim Financial Report and the Annual Report and Accounts. All key judgements are reviewed and recommended to the Audit & Risk Committee for approval prior to implementation.

Assessing whether there has been a significant increase in credit risk ('SICR')

If a financial asset shows a SICR, it is transferred to Stage 2 and the ECL recognised changes from a 12-month ECL to a lifetime ECL. The assessment of whether there has been a SICR requires a high level of judgement as detailed below. The assessment of whether there has been a SICR also incorporates forward-looking information.

The Group considers that a SICR has occurred when any of the following have occurred:

1. The overall credit worthiness of the borrower has materially worsened, indicated by a migration to a higher risk grade (see below for risk grades and probability of default ('PDs') by product).
2. Where a borrower is currently a month or more in arrears.
3. Where a borrower has sought some form of forbearance.
4. Where the overall leverage of the account has surpassed a predetermined level. 75% Loan to Gross Development Value for bridging loans and 85% for all other products.
5. Where a short-term bridging loan has less than one month before maturity.
6. Where there is a material risk that a development loan will not reach practical completion on time.

These factors reflect the credit lifecycle for each product and are based on prior experience as well as insight gained from the development of risk ratings models (probability of default).

Stage 2 criteria are designed to be effective indicators of a SICR. As part of the bi-annual review of key impairment judgements, the Group undertakes detailed analysis to confirm that the Stage 2 criteria remain effective. This includes (but is not limited to):

– Criteria effectiveness: this includes the emergence to default for each Stage 2 criterion when compared to Stage 1, Stage 2 outflow as a percentage of Stage 2, percentage of new defaults that were in Stage 2 in the months prior to default, time in Stage 2 prior to default and percentage of the book in Stage 2 that are not progressing to default or curing.
– Stage 2 stability: this includes stability of inflows and outflows from Stage 2 and 3.
– Portfolio analysis: this includes the percentage of the portfolio that is in Stage 2 and not defaulted, the percentage of the Stage 2 transfer driven by Stage 2 criterion other than the backstops and back-testing of the defaulted accounts.

For low credit risk exposures, the Group is permitted to assume, without further analysis, that the credit risk on a financial asset has not increased significantly since initial recognition if the financial asset is determined to have low credit risk at the reporting date. The Group has opted not to apply this low credit risk exemption.

A summary of the Risk grade distribution is provided in the table below. As the Group utilises three different risk rating models, three separate PDs have been provided for each portfolio.

Risk Grades 1–9 are for non-defaulted accounts with 10 indicating default. Therefore, all Stage 3 loans are assigned to this grade.

As stated previously, degradation in a borrower's creditworthiness is an indication of SICR. Therefore, as shown in the table below, Stage 2 loan distributions are in the main assigned to risk grades higher than Risk Grade 1.

	Balances (£'m)			ECL (£'m)			Probability of default		
Risk Grade	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Bridging	Buy-to-Let	Development
RG1	882.1	0.9	–	(0.4)	–	–	7%	0%	0%
RG2	34.1	93.9	–	(0.1)	(0.4)	–	12%	0%	1%
RG3	7.3	37.7	–	–	(0.3)	–	19%	1%	2%
RG4	4.3	24.7	–	–	(0.2)	–	30%	1%	3%
RG5	6.4	13.0	–	–	(0.1)	–	45%	2%	4%
RG6	1.2	21.1	–	–	(0.1)	–	69%	4%	6%
RG7	0.3	1.5	–	–	(0.1)	–	79%	7%	8%
RG8	–	0.5	–	–	–	–	88%	12%	11%
RG9	–	3.4	–	–	(0.1)	–	93%	19%	15%
RG10	–	–	36.1	–	–	(7.3)	100%	100%	100%
Total	935.7	196.7	36.1	(0.5)	(1.3)	(7.3)	–	–	–

Notes to the financial statements continued

19. Loans and advances continued

Determining whether a financial asset is in default or credit impaired

When there is objective evidence of impairment and the financial asset is considered to be in default, or otherwise credit-impaired, it is transferred to Stage 3. The Group's definition of default follows product-specific characteristics allowing for the provision to reflect operational management of the portfolio. Below we set out a short description of each product type and the Group's definition of default as specific to each product.

Bridging Loans – Bridging loans are short-term loans designed for customers requiring timely access to funds to facilitate property purchases. Typically, loans involve residential securities, however, commercial, semi-commercial and land is also taken as security.

A bridging loan is considered to be in default if:
a) A borrower fails to repay their loan after 30 days and does not seek an authorised extension.
b) It is structured and the loan is two months in arrears.

Buy-To-Let Loans – Buy-to-Let loans constitute LendInvest's long-term lending proposition. Loans are extended to borrowers looking to purchase a new rental property or refinance an existing rental property. All loans carry structured repayments of interest, with the principal paid at the end of the term.

The default definition for Buy-to-Let loans is:
a) An account that reaches an arrears balance equivalent to, or greater than, three contractual monthly subscription payments,
b) The property is taken into receivership, or the borrower has been declared bankrupt.

Development Loan – Development loans support borrowers looking to undertake a significant property or site development. The resulting site should be for residential purposes only. Loan terms are typically for the short term (less than three years) with no structured repayments. A development loan is defined as being in default if it has not been redeemed 60 days after the maturity of the loan.

The Group does not apply the rebuttable presumption that default does not occur later when a financial asset is 90 days past due.

Improvement in credit risk or cure – There is no cure period assumed for loans showing improvement in credit risk. This means that any loan that does not meet the SICR criteria is assigned to Stage 1.

20. Investment securities

During the year, the Group obtained investment securities of £23.9 million (2022: £nil). The investment securities relate to a 5% retained position in structured securitisation entities that are no longer consolidated.

	Year ended 31 March 2023 £'m	Year ended 31 March 2022 £'m
Retained interest in:		
Mortimer BTL 2020-1 PLC	10.7	–
Mortimer BTL 2022-1 PLC	13.2	–
Total	**23.9**	–

LendInvest BTL Limited sold its residual interest it held in Mortimer BTL 2020-1 Plc . It also sold its residual interest it held in Mortimer BTL 2022-1 Plc. The gain on sale of the residual interests amounted to £4.6 million. It was assessed that with the sale control and exposure to variable return was transferred to the purchaser which related to the deconsolidation of Mortimer BTL 2020-1 Plc and Mortimer BTL 2022-1 Plc. The investment securities are carried at amortised cost.

21. Trade and other payables

	Year ended 31 March 2023 £'m	Year ended 31 March 2022 (restated) £'m
Trade payables	15.1	26.4
Other payables:		
– Taxes and social security costs	1.4	0.7
– Accruals and deferred income	7.0	18.5
– Sublease deposit rent payable	0.2	0.2
	23.7	**45.8**

The trade payables balance includes Trustees' balances of £6.3 million (2022: £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.

22. Interest-bearing liabilities

	Year ended March 2023 £'m	Year ended March 2022 (restated) £'m
Funds from investors and partners	1,159.6	1,215.6
Accrued interest	4.3	2.8
Unamortised funding line costs	(4.6)	(4.3)
	1,159.3	**1,214.1**

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. Interest-bearing liabilities of the Group are a combination of both fixed and floating rate liabilities and the Group's annualised interest cost on funding has ranged between 1% to 8% in the current financial year. Interest-bearing liabilities have decreased in line with the decrease in loans and advances at the financial year end.

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 2023 £'m	As at 31 March 2022 (restated) £'m
Interest-bearing liabilities	1,159.3	1,214.1
Deduct: cash as reported in financial statements	(46.7)	(118.2)
Net debt: borrowings less cash as reported in the financial statements	**1,112.6**	**1,095.9**
Add back: unamortised funding line costs	4.6	4.3
Add back: Trustees' account balances	6.3	18.9
Add back: accrued interest	4.3	2.8
Deduct: retained interest	(5.9)	(2.6)
Net debt	**1,121.9**	**1,119.3**

Notes to the financial statements continued

22. Interest-bearing liabilities continued

	Interest-bearing liabilities (restated) £'m	Leases £'m	Derivatives £'m
31 March 2022	**(1,214.1)**	**(4.1)**	**32.5**
Cash flows	54.8	1.4	(8.4)
Fair value changes	–	–	21.9
Reinstatement of dilapidations provision	–	(0.1)	
Lease liability interest	–	(0.5)	
31 March 2023	**(1,159.3)**	**(3.3)**	**46.0**

	Interest-bearing liabilities (restated) £'m	Leases £'m	Derivatives £'m
31 March 2021	**(1,043.0)**	**(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	**(1,214.1)**	**(4.1)**	**32.5**

23. Share capital

Issued and fully paid up	Year ended 31 March 2023 Number	Year ended 31 March 2023 £	Year ended 31 March 2022 Number	Year ended 31 March 2022 £
Ordinary Shares	139,631,046	69,816	137,698,910	68,849
Total number of shares issued	**139,631,046**	**69,816**	**137,698,910**	**68,849**
Ordinary Shares held in EBT Trust	(1,626,705)	(813)	(861,000)	(430)
Forfeited Ordinary Shares held in SIP Trust	(48,056)	(24)	(3,344)	(2)
Total number of shares in circulation	**137,956,285**	**68,979**	**136,834,566**	**68,417**

Share premium	Year ended March 2023 £'m	Year ended March 2022 £'m
1 April	**55.2**	**17.5**
Issue of new equity	–	40.0
Costs incurred in issuing new equity	–	(2.3)
31 March	**55.2**	**55.2**

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 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.

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 Shares have a nominal value of £0.0005.

Reconciliation of movements during the period

	Ordinary Shares
As at 1 April 2022	**137,698,910**
Issue of shares into the Employment Benefit Trust	1,932,136
As at 31 March 2023	**139,631,046**

On 13 July 2022, the Group issued 682,136 shares into its Employee Benefit Trust so it could issue shares to employees exercising share options. On 23 March 2023, the Group issued a further 1,250,000 shares into the Employee Benefit Trust to ensure there were sufficient shares to issue to employees for future option exercises.

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 1,626,705 (year ended 31 March 2022: 861,000) shares held by the Group's Employee Benefit Trust, the entirety of which is excluded from the total number of shares in circulation. 477,902 (year ended 31 March 2022: 282,408) shares held by the Group's Share Incentive Plan Trust form part of the number of Ordinary Shares issued; 48,056 of these shares are excluded from the total number of shares in circulation.

24. Reserves

Reserves comprise retained earnings, own share reserve, the employee share reserve, fair value reserves, and cash flow 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 and the deferred portion of the change in the fair value of the hedging instrument that is deemed to be effective. For the year ended 31 March 2023, the Group recognised £35.0 million of fair value losses through other comprehensive income (£41.8 million losses due to higher interest curves on which the Group measures its loans and advances). For the comparative period, a loss of £22.7 million was recognised (£30.4 million losses due to a rising interest rate environment on the Group's loans and advances and £7.7 million derivative fair value gains).

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. During the year under review, £4.8 million of derivative fair value losses were recorded through the cash flow hedge reserve (2022: £29.4 million gain). A net £29.6 million of deferred gains were reclassified to profit and loss and recognised through interest expense (2022: £2.8 million loss).

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	three years	four years	four years	four years	four 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

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 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**
Granted during the year	–	–	–	–	–
Options exercised during the year	(616,788)	(401,500)	(838,800)	(508,250)	(202,169)
Cancelled during the year	–	–	(8,750)	(22,000)	(91,000)
Balance at 31 March 2023	**–**	**–**	**64,650**	**156,750**	**1,663,831**

The weighted average share price at the time of exercise for all of the options exercised in the year was £1.38.

Awards granted in the year to 31 March 2023

During the period ended 31 March 2023, the Company operated the following 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')

During the year ending 31 March 2023, conditional nil-cost option awards were granted, consisting of deferred bonus shares and LTIP share awards made to the Directors and a limited number of the Senior Management team. These awards vest over a three year period and are subject to performance conditions. For the LTIPs awarded in 2021, the performance conditions are based solely on total shareholder return over the three year period. The LTIPs awarded in 2022 are based solely on a measure of cumulative earnings per share over the three year period.

b) Deferred bonus plan ('DBP')

The DBP is awarded as part of the company bonus scheme which is eligible to all employees not part of a separate commission schemes. The DBP vests 12 months after the award date and are forfeited by employees if they leave the business during this period.

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

Year of introduction	Scheme	Share price per award	Exercise price per award	Date of vesting	Number of shares for which awards outstanding at March 2022	Awards granted during period	Awards vested during period	Awards lapsed during period	Number of shares for which awards outstanding at March 2023
2021	LTIP	2.185	Nil	Aug 2024	2,144,410	–	–	(242,560)	1,901,850
2021	LTIP	2.010	Nil	Dec 2024	212,120	–	–	(50,505)	161,615
2022	LTIP	1.535	Nil	Jul 2025	–	2,942,309	–	(296,410)	2,645,899
2022	DBP	1.535	Nil	Jul 2023	–	209,160	–	(20,480)	188,680

The weighted average fair value of these awards granted during the period was £1.535 per award.

c) Other Share Plans

Share Incentive Plan ('SIP')

An award of shares was made to employees in August 2022. 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 2022, an award of free shares was made to all eligible employees. The number of shares awarded was 296,900, with a fair value of £1.495 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 2023 Number of shares
Outstanding at March 2022	**272,076**
Granted	296,900
Forfeited	(91,074)
Outstanding at March 2023	**477,902**

Share-based payment charge recognised

	Year ended 31 March 2023 £'m	Year ended 31 March 2022 £'m
Executive Share Option Plans:		
Long Term Incentive Plan:		
Options granted in the year	0.4	0.3
Options granted in prior years	0.4	–
Other Share Plans:		
Deferred bonus plan		
Options granted in the year	0.1	–
Options to be granted as part of Company bonus scheme	0.4	–
Share Incentive Plan		
Shares granted in the year	0.1	0.1
Options granted in prior years	0.2	–
Company Share Options Plan	0.3	0.7
Total all plans	**1.9**	**1.1**
Social security expense	0.1	0.1
Total charge to the income statement (note 10)	**2.0**	**1.2**

Notes to the financial statements continued

25. Share-based payments continued

Weighted average exercise price

	£
At 1 April 2022	0.01
At 31 March 2023	**0.01**

Weighted average remaining contractual life

	Years	Number of options
2018 CSOP	4.6	64,650
2019 CSOP	5.4	156,750
2020 CSOP	6.3	1,663,831
2021.1 LTIPs	1.4	1,901,850
2021.2 LTIPs	1.7	161,615
2022 DBP	0.3	2,645,899
2022 LTIPs	2.3	209,160
All schemes	**3.4**	**6,803,755**

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 2023 and 31 March 2022 according to the nature of the asset. All financial liabilities of the Group are carried at amortised cost as at 31 March 2023 and 31 March 2022 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.

(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 2023 £'m	As at 31 March 2022 £'m
Cash and cash equivalents	46.7	118.2
Trade and other receivables	4.2	3.6
Loans and advances[1]	174.2	16.1
Investment securities	23.9	–
Financial assets at fair value through other comprehensive income		
Loans and advances	948.7	1,193.0
Financial assets at fair value through profit and loss		
Derivative financial asset	46.0	32.5
Loans and advances	–	–
Fair value adjustment for hedged risk asset	0.1	–
Total financial assets	**1,243.8**	**1,363.4**

1 As at 31 March 2023, the Group held loans originated under the Government's CBILs scheme. These loans are valued at amortised cost within the accounts. In addition, a portfolio of BTL loans that had previously been held at fair value through other comprehensive income as at 31 March 2022 are now being held under amortised costs as at 31 March 2023 as a result of a change in classification to 'hold to collect'.

Financial liabilities at amortised cost	As at 31 March 2023 £'m	As at 31 March 2022 (restated) £'m
Trade and other payables	(22.3)	(45.3)
Interest-bearing liabilities	(1,159.3)	(1,214.1)
Lease liability	(3.3)	(4.3)
Financial liabilities at fair value through profit and loss		
Derivative financial liability	–	–
Total financial liabilities	**(1,184.9)**	**(1,263.7)**

26. Financial instruments continued

Financial instruments measured at amortised costs continued

(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 2023 and the comparative figures:

Financial assets	As at 31 March 2023 carrying amount £'m	As at 31 March 2023 fair value £'m	As at 31 March 2022 carrying amount (restated) £'m	As at 31 March 2022 fair value (restated) £'m
Cash and cash equivalents	46.7	46.7	118.2	118.2
Trade and other receivables	4.2	4.2	3.6	3.6
Loans and advances	1,122.9	1,122.9	1,209.1	1,209.1
Derivative financial asset	46.0	46.0	32.5	32.5
Investment securities	23.9	23.9	–	–
Fair value adjustment for portfolio hedged risk asset	0.1	0.1	–	–
Total financial assets	**1,243.8**	**1,243.8**	**1,363.4**	**1,363.4**
Financial liabilities				
Trade and other payables	(22.3)	(22.3)	(45.3)	(45.3)
Interest-bearing liabilities	(1,159.3)	(1,157.9)	(1,214.1)	(1,215.0)
Derivative financial liability	–	–	–	–
Lease liability	(3.3)	(3.3)	(4.3)	(4.3)
Total financial liabilities	**(1,184.9)**	**(1,183.5)**	**(1,263.7)**	**(1,264.6)**

The fair value of Retail Bond 2 interest-bearing liabilities is calculated based on the mid-market price of 98.1 on 31 March 2023 (price of 100.7 on 31 March 2022).

The fair value of Retail Bond 3 interest-bearing liabilities is calculated based on the mid-market price of 98.7 on 31 March 2023.

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

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

(c) Fair value hierarchy

The level in the fair value hierarchy within which the financial asset or financial liability is categorised is determined on the basis of the lowest level input that is relevant to the fair value measurement. Financial assets and liabilities are classified in their entirety into only one of the three levels. The fair value hierarchy has the following levels:
Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

Financial instruments measured or disclosed at fair value	As at 31 March 2023 £'m	Level 1 £'m	Level 2 £'m	Level 3 £'m
Interest rate swap	46.0	–	46.0	–
Loans and advances	948.7	–	–	948.7
Financial instruments measured or disclosed at amortised cost				
Loans and advances	174.2	–	–	174.2
Interest-bearing liabilities[1]	(1,157.9)	(94.6)	–	(1,063.3)

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 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] (restated)	(1,215.0)	(114.2)	–	(1,)

1 Interest-bearing liabilities are held at amortised cost on the statement of financial position. Level 1 financial instruments includes the Group's listed retail bond notes.

Level 2 instruments include interest rate swaps which are either two, three or five years in length. These lengths are aligned with the fixed interest periods of the underlying loan book. These interest rates swaps are valued using models used to calculate the present value of expected future cash flows and may be employed when there are no quoted prices available for similar instruments active markets.

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.

For the year ended 31 March 2023 the Group opted to engage a third party expert to perform the valuation of Buy-to-Let assets held at fair value. The discount rate used in this valuation consists of three components:

– A risk-free rate implied from the one-month SONIA forward curve;
– Credit spread based on a comparable market deal which is adjusted for movements in UK BTL indices; and
– Illiquidity premium.

Level 3 financial instruments	Year ended 31 March 2023 £'m
Level 3 assets at beginning of the period	**1,193.0**
Additional impairment provisions made during the period[1]	(7.3)
Impairment provision utilised in the period	9.6
Fair value adjustments on loan & advances through OCI	(40.8)
New level 3 assets originated	645.2
Level 3 assets that have repaid	(206.7)
Balance movements in level 3 assets	(644.3)
Level 3 assets at the end of the period	**948.7**

1 The net ECL impact on the income statement for the year is £7.3m (2022: £5.5m). This includes the £5.6m (2022: £4.4m) 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 £1.7m (2022: £1.1m).

Notes to the financial statements continued

26. Financial instruments continued

Financial instruments measured at amortised costs continued

(c) Fair value hierarchy continued

Financial instrument	Valuation technique used	Significant unobservable inputs	Range
Loans 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 reserves

	Financial assets £'m	Deferred tax £'m	Fair value reserve £'m
Fair value and cash flow reserves at 1 April 2022 (restated)	**39.2**	**(9.9)**	**29.3**
Movement in fair value of loans and advances at fair value through other comprehensive income	(35.0)	8.8	(26.2)
Cash flow hedge adjustment through other comprehensive income	(4.8)	1.2	(3.6)
Fair value and cash flow reserves at 31 March 2023	**(0.6)**	**0.1**	**(0.5)**

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 and discount rates. Significant increase/(decrease) in any of those inputs in isolation would result in a lower/(higher) fair value measurement. A change in the assumption of these inputs will not correlate to a change in the other inputs. The impact of changes in observable inputs shown in the sensitivity analysis below will be reported through other comprehensive income.

Sensitivity analysis

Impact of changes in unobservable inputs at 31 March 2023	+100bps £'m	-100bps £'m
Prepayment rates	0.6	(0.6)
Discount rate	(25.3)	26.6
Probability of default	–	–

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

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 market SONIA rates and inflated 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.

27 Derivatives held for risk management

Instrument type	Year ended 31 March 2023 Asset £'m	Year ended 31 March 2023 Liability £'m	Year ended 31 March 2022 Asset £'m	Year ended 31 March 2022 Liability £'m
SONIA indexed interest rate swaps	46.0	–	32.5	–
Total	**46.0**	**–**	**32.5**	**–**

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 increase of £13.5 million on the derivative asset position during the year (2022: gain of £39.3 million).

The Group received £17.9 million in cash on termination of in-the-money derivatives and a further £8.7m in quarterly interest receipts during the year. The Group paid an initial amount on two swaps of £11.9m and £6.3m to set the fixed leg of below market as part of the capital structure of two special purpose vehicles formed during the year.

A net fair value gain of £21.9 million of fair value gain is recognised through the derivative asset line item in the consolidated statement of financial position. The net notional principal amount of the outstanding interest rate swap contracts at 31 March 2022 was £779.1 million (2022: £1,004.7 million).

28. Dividends

	Year ended 31 March 2023 £'m	Year ended 31 March 2023 Pence per share	Year ended 31 March 2022 £'m	Year ended 31 March 2022 Pence per share
Final dividend for the prior year	6.1	4.4	–	–
Interim dividend for the current year	1.8	1.3	–	–
Total	**7.9**	**–**	**–**	**–**

The Directors propose that a final dividend in respect of the year ended 31 March 2023 of 3.2p per share will be paid on the 13 October 2023 to all shareholders on the Register of Members on the 15 September 2023. 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. Investment in joint ventures

During the year the LendInvest Loan Holdings Limited entered into a Joint Venture Agreement to establish a private company limited by shares, Tradelend Limited. Under the joint venture agreement, Tradelend Limited is a private company limited by shares and incorporated in England under the Companies Act 2006. LendInvest Loan Holdings Limited beneficially owns 51% of the paid up capital of the company. The company is set up to carry out the business of making available development finance, bridging loans, and any other finance loans to intermediaries, landlords and developers across the United Kingdom.

Tradelend Limited is accounted for as a joint venture under IFRS 11 – Joint Arrangements, using the equity method under IAS 28 – Investments in Associates and Joint Ventures, and subject to the disclosure requirements for joint ventures under IFRS 12 – Disclosure of Interest in Other Entities.

Tradelend Limited did not trade during the year.

30. Investment in third parties

In December 2022, LendInvest Capital GP II S.a.r.l. invested £2.0m into LendInvest SCA SICAV-RAIF (the Fund) – LendInvest Secured Credit Fund II (the sub-fund). The investment was made into Share Class II which is an accumulating GBP share class. The share class provides a targeted net return of between 6–8% a year based on the profits generated from the property loans which the fund has invested. It provides no control over the fund and represents less than 2% of the total invested by all investors into the fund.

31. Related-party transactions

See note 12 for analysis of director compensation. In March 2023, the Group engaged with Nina Spencer, one of the non-executive directors, via Addidat Limited, to provide ESG benchmarking services against other AIM listed companies. The total cost of the services was £26,000, of which half of this amount was recognised in the year ended 31 March 2023. There were no other related-party transactions during the period to 31 March 2023 that would materially affect the position or performance of the Group.

32. Controlling party

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

33. Events after the reporting date

On 14 April 2023 the Group sold its residual economic interest in its third securitisation Mortimer 2021-1 BTL plc and derecognised the loans from its balance sheet, resulting in a derecognition of financial assets of £226.5 million.

On 26 May 2023, the Group sold a portfolio of £250m of Buy-to-Let loans for a total consideration of £243 million inclusive of the proceeds from cancelled interest rate derivatives.

On 30 June 2023, the Group agreed terms for a forward flow arrangement allowing for the origination and immediate sale of £500m of Buy-to-Let and residential mortgages that will not be funded on the Group's balance sheet.

34. Earnings per share

Basic earnings per share	Year ended 31 March 2023 Pence/share	Year ended 31 March 2022 Pence/share
Total basic earnings per share attributable to the ordinary equity holders of the Group	8.3p	8.3p

Diluted earnings per share	Year ended 31 March 2023 Pence/share	Year ended 31 March 2022 Pence/share
Total basic earnings per share attributable to the ordinary equity holders of the Group	8.0p	8.0p

Number of shares used as denominator	Year ended 31 March 2023	Year ended 31 March 2022
Number of Ordinary Shares used as the denominator in calculating basic earnings per share	137,437,395	130,578,156
Adjustment for calculations of diluted earnings per share: options	4,602,267	4,776,225
Number of Ordinary Shares and potential Ordinary Shares used as denominator in calculating diluted earnings per share	142,039,662	135,354,381

The profit after tax reported in the Consolidated statement of profit and loss, £11.4 million (31 March 2022: £10.9 million), is the numerator (earnings) used in calculating earnings per share.

Company statement of financial position

	Note	As at 31 March 2023 £'m	As at 31 March 2022 £'m
Assets			
Cash and cash equivalents	8	19.6	52.4
Trade and other receivables	7	31.4	16.5
Corporate tax receivable		–	2.0
Loans and advances	9	63.8	44.6
Property, plant and equipment	4	2.2	2.8
Net investment in sublease	2	1.0	1.2
Intangible assets	5	10.5	6.1
Deferred taxation	3	0.8	1.2
Total assets		**129.3**	**126.8**
Liabilities			
Trade and other payables	10	(22.8)	(28.7)
Interest-bearing liabilities	11	(34.9)	(22.3)
Lease liabilities	2	(3.3)	(4.1)
Total liabilities		**(61.0)**	**(55.1)**
Net assets		**68.3**	**71.7**
Equity			
Share capital	12	0.1	0.1
Share premium	12	55.2	55.2
Own share reserve		(0.6)	–
Employee share reserve		3.3	2.6
Retained earnings	13	10.3	13.8
Total equity		**68.3**	**71.7**

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 £4.9 million (2022: £1.8 million).

The financial statements on pages 140 to 152 were approved and authorised for issue by the Board of Directors on 5 July 2023 and were signed on its behalf by:

Michael Evans
Director

Company statement of cash flows

Cash flow from operating activities	Note	Year ended March 2023 £'m	Year ended March 2022 £'m
Profit after taxation		4.9	1.8
Adjusted for:			
Depreciation of property, plant and equipment	4	0.2	0.1
Amortisation of intangible assets	5	1.9	2.6
Company share and share option schemes		(1.0)	1.2
Income tax expense		3.0	0.7
Impairment provision	9	7.6	0.5
Depreciation of right-of-use asset	2	0.6	0.9
Interest expense – lease liabilities	2	0.5	0.5
Income from sublease		(0.2)	–
Costs relating to market listing		–	1.6
Change in working capital			
Increase in gross loans and advances	9	(26.8)	(23.1)
(Increase)/decrease in trade and other receivables	7	(14.8)	21.2
(Decrease)/increase in trade and other payables	10	(5.8)	8.9
Income taxes paid	3	–	(3.7)
Cash used in / generated from operations		**(29.9)**	**13.2**
Cash flow from investing activities			
Purchase of property, plant and equipment	4	(0.2)	(0.4)
Capitalised development costs	5	(6.3)	(3.2)
Income from sublease		0.2	–
Net cash used in investing activities		**(6.3)**	**(3.6)**
Cash flow from financing activities			
Decrease in interest-bearing liabilities	11	12.6	(19.8)
Principal elements of finance lease payments		(0.9)	(0.9)
Interest expense – lease liabilities		(0.5)	(0.5)
Proceeds from an equity share raise		–	40.0
Equity raise costs		–	(3.9)
Dividends paid		**(7.8)**	–
Net cash generated from financing activities		**3.4**	**14.9**
Net decrease in cash and cash equivalents		**(32.8)**	**24.5**
Cash and cash equivalents at beginning of the period	8	52.4	27.9
Cash and cash equivalents at end of the period	8	**19.6**	**52.4**

Interest received was £0.2m (2022: £0.2m) and interest paid was £3.0m (2022: £3.2m).

Company statement of changes in equity

	Share capital £'m	Share premium £'m	Own share reserve £'m	Employee share reserve £'m	Retained earnings £'m	Total £'m
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**
Bonus issue of free shares funded by share premium	0.1	(0.1)	–	–	–	**–**
Issue of new shares at 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**
Profit after taxation	–	–	–	–	4.9	**4.9**
Employee share scheme tax	–	–	–	–	0.3	**0.3**
Current tax movement through equity	–	–	–	–	0.4	**0.4**
Shares purchased by the EBT	–	–	(3.0)	–	–	**(3.0)**
Shares issued from own share reserve	–	–	2.4	–	(2.4)	**–**
Reinstatement of dilapidations provision	–	–	–	–	(0.1)	**(0.1)**
Transfer of share option costs	–	–	–	(1.3)	1.3	**–**
Dividends paid	–	–	–	–	(7.9)	**(7.9)**
Employee share option schemes	–	–	–	2.0	–	2.0
Balance as at 31 March 2023	**0.1**	**55.2**	**(0.6)**	**3.3**	**10.3**	**68.3**

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 14 July 2021. The address of its registered office is given on page 68. 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.

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 Group 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. In the period ended 31 March 2022, significant uncertainty around the level and trajectory of UK inflation and the subsequent impacts on the wider economy led management to increase the downside weighting. The following weightings of the different scenarios were used across both Buy-to-Let and short-term ECL models for the period:

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

For the period ended 31 March 2023 management consider that the significant uncertainty that led to the increased downside weighting is adequately represented in the macroeconomic data and has reverted the scenario weightings to those provided by the macroeconomic data source across both Buy-to-Let and short-term ECL models as follows:

- 40%/40%/20% 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 analyses have 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 £0.01 million.
- A 100% upside was applied to all the models. This would decrease the ECL by £0.01 million.
- A 10% increase in the forced sale discount. This would increase the ECL by £nil million.
- A 20% increase in the unemployment rate (peak of 5.2%). This would increase the ECL by £nil million.

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 would 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 2023 £'m	Year ended 31 March 2022 £'m
Deferred tax assets	1.5	1.2
Deferred tax liabilities	(0.7)	–
Net deferred tax assets	**0.8**	**1.2**

The movements during the year are analysed as follows:

	Year ended 31 March 2023 £'m	Year ended 31 March 2022 £'m
Net deferred tax assets at the beginning of the year	**1.2**	**0.3**
(Charge)/credit to the statement of profit and loss for the year	(0.7)	0.2
Credit to equity	0.3	0.6
Over provision of deferred tax	–	0.1
Net deferred tax assets at the end of the year	**0.8**	**1.2**

Category of deferred tax

2023	Opening balance £'m	Opening balance adjustment	(Charge)/credit to the statement of profit and loss – CY £'m	Credit through equity – CY £'m	(Charge)/credit to the statement of profit and loss – PY £'m	Closing balance £'m
Share and share option schemes	1.1	–	–	0.3	(0.1)	**1.3**
IFRS 16 transitional adjustment	0.1	–	–	–	–	**0.1**
Research and development	–	–	(0.3)	–	(0.3)	**(0.6)**
	1.2	**–**	**(0.3)**	**0.3**	**(0.4)**	**0.8**
2022						
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**
	0.3	**–**	**0.2**	**0.6**	**0.1**	**1.2**

At 31 March 2023, the Company had no unrecognised deferred taxation assets (2022: £nil).

Notes forming part of the Company financial statements continued

4. Property, plant and equipment

Refer to consolidated financial statements, note 15.

5. Intangibles

Premises	Software licences £'m	Internally developed software £'m	Total £'m
Balance as at 31 March 2021	**0.4**	**8.8**	**9.2**
Additions	–	3.2	3.2
Balance as at 31 March 2022	**0.4**	**12.0**	**12.4**
Additions	–	6.3	6.3
Balance as at 31 March 2023	**0.4**	**18.3**	**18.7**

Accumulated amortisation and impairment	Software licences £'m	Internally developed software £'m	Total £'m
Balance as at 31 March 2021	**0.1**	**3.6**	**3.7**
Charge for the year	0.2	2.4	2.6
Balance as at 31 March 2022	**0.3**	**6.0**	**6.3**
Charge for the year	0.1	1.8	1.9
Balance as at 31 March 2023	**0.4**	**7.8**	**8.2**
Net carrying value as at 31 March 2023	**–**	**10.5**	**10.5**
Net carrying value as at 31 March 2022	0.1	6.0	6.1

Internally developed software development has been capitalised as an intangible asset and is being amortised over five years. This amortisation period has been increased from three years in the previous reporting period. See Group note 1.12 for more details, including the impact on future periods. 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.

6. Investment in subsidiaries

	Year ended 31 March 2023 £'m	Year ended 31 March 2022 £'m
As at 1 April	–	–
Additional investment in subsidiaries	–	–
As at 31 March	–	–

The Company owned either directly or indirectly, 100% of the share capital of the following subsidiaries as at 31 March 2023. 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 Secured Income II 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

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

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
BTL No. 3 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 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

Notes forming part of the Company financial statements continued

7. Trade and other receivables

Due within one year	Year ended 31 March 2023 £'m	Year ended 31 March 2022 £'m
Trade receivables	22.0	12.4
Other receivables:		
– Prepayments and accrued income	3.1	2.4
– Other receivables	1.9	0.5
Corporate tax receivable	3.2	–
Due after one year		
Rent deposit	1.2	1.2
	31.4	**16.5**

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 and in hand

	Year ended 31 March 2023 £'m	Year ended 31 March 2022 £'m
Cash and cash equivalents	16.0	33.5
Trustees' account	3.6	18.9
	19.6	**52.4**

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. This amount excludes £2.6 million due to timing differences, which sits as a receivable. 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).

9. Loans and advances

	Year ended 31 March 2023 £'m	Year ended 31 March 2022 £'m
Gross loans and advances[1]	72.8	46.0
ECL provision	(9.0)	(1.4)
Fair value adjustment[2]	–	–
Loans and advances	**63.8**	**44.6**

1 Included in gross loans and advances is £70.3 million (2022: £43.1 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 2022	**(1.4)**
Additional provisions made during the period	(7.6)
Utilised in the period	–
Under IFRS 9 at 31 March 2023	**(9.0)**

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)**

Analysis of loans and advances by stage

Year ended 31 March 2023	Stage 1 £'m	Stage 2 £'m	Stage 3 £'m	Total £'m
Gross loans and advances	70.9	0.6	1.3	72.8
ECL provision	(8.6)	–	(0.4)	(9.0)
Fair value adjustment	–	–	–	–
Loans and advances	**62.3**	**0.6**	**0.9**	**63.8**

The maximum LTV on stage 1 loans is 66%. The maximum LTV on stage 2 loans is 77%. The maximum LTV on stage 3 loans is 247% and the total value of collateral held on stage 3 loans is £1.1 million.

Notes forming part of the Company financial statements continued

9. Loans and advances continued

Movement analysis of net loans by stage

	Stage 1 £'m	Stage 2 £'m	Stage 3 £'m	Total £'m
As at 1 April 2022	**42.2**	**1.3**	**1.1**	**44.6**
Transfer to stage 1	0.2	(0.2)	–	**–**
Transfer to stage 2	–	–	–	**–**
Transfer to stage 3	–	(0.2)	0.2	**–**
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	–	(0.5)	(0.3)	**(0.8)**
Balance movements in loans	19.8	0.2	(0.1)	**19.9**
Write-offs	–	–	–	**–**
Total movement in loans and advances	**20.1**	**(0.7)**	**(0.2)**	**19.2**
As at 31 March 2023	**62.3**	**0.6**	**0.9**	**63.8**

	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**

Movement analysis of gross loans by stage

	Stage 1 £'m	Stage 2 £'m	Stage 3 £'m	Total £'m
As at 1 April 2022	**43.3**	**1.3**	**1.4**	**46.0**
Transfer to stage 1	0.2	(0.2)	–	–
Transfer to stage 2	–	–	–	–
Transfer to stage 3	–	(0.2)	0.2	–
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	0.2	(0.5)	(0.3)	(0.6)
Balance movements in loans	27.2	0.2	(0.1)	27.3
Write-offs	–	–	0.1	0.1
Total movement in loans and advances	**27.6**	**(0.7)**	**(0.1)**	**26.8**
As at 31 March 2023	**70.9**	**0.6**	**1.3**	**72.8**

	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

Movement analysis of ECL by stage

	Stage 1 £'m	Stage 2 £'m	Stage 3 £'m	Total £'m
As at 1 April 2022	**1.1**	**–**	**0.3**	**1.4**
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	–	–	–	–
Changes in models/risk parameters	7.5	–	–	**7.5**
Adjustments for interest on impaired loans	–	–	0.1	**0.1**
Write-offs	–	–	–	**–**
Total movement in impairment provision	**7.5**	**–**	**0.1**	**7.6**
As at 31 March 2023	**8.6**	**–**	**0.4**	**9.0**

The Company held no POCI loans during the year to 31 March 2023.

	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	–	–	–	–
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.

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.

Year ended 31 March 2023	Stage 1 £'m	Stage 2 £'m	Stage 3 £'m	Total £'m
Risk Grades 1–5	70.9	0.2	–	**71.1**
Risk Grades 6–9	–	0.4	–	**0.4**
Default	–	–	1.3	**1.3**
Total	**70.9**	**0.6**	**1.3**	**72.8**

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**

10. Trade and other payables

	Year ended 31 March 2023 £'m	Year ended 31 March 2022 £'m
Trade payables	14.9	22.6
Other payables:		
– Taxes and social security costs	1.3	0.7
– Accruals and deferred income	6.3	5.1
– Sublease deposit repayable	0.2	0.2
– Employee free share award	0.1	0.1
	22.8	**28.7**

The trade payables balance includes Trustees' balances of £3.6 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 2023 £'m	Year ended March 2022 £'m
Funds from investors and partners	34.9	22.3
	34.9	**22.3**

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.

Notes forming part of the Company financial statements continued

12. Share capital
Refer to Group financial statements, note 23.

13. Reserves
Reserves comprise 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 2023 and 31 March 2022 according to the nature of the asset. All financial liabilities of the Company are carried at amortised cost as at 31 March 2023 and 31 March 2022 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 2023 £'m**	**Year ended 31 March 2022 £'m**
Cash and cash equivalents	19.6	52.4
Trade and other receivables	30.7	26.8
Financial assets at fair value through other comprehensive income		
Loans and advances	63.9	44.6
Total financial assets	**114.2**	**123.8**
Financial liabilities at amortised cost		
Trade and other payables	(22.8)	(28.0)
Interest-bearing liabilities	(34.9)	(22.3)
Lease liability	(3.3)	(4.1)
Total financial liabilities	**(61.0)**	**(54.4)**

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 2023 £'m	Level 1 £'m	Level 2 £'m	Level 3 £'m
Loans and advances	63.9	–	–	63.9
Financial Instruments measured or disclosed at amortised cost	–	–	–	–
Interest-bearing liabilities[1]	**(34.9)**	**(34.9)**	–	–

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 2022 £'m	Level 1 £'m	Level 2 £'m	Level 3 £'m
Loans and advances	44.6	–	–	44.6
Financial Instruments measured or disclosed at amortised cost	–	–	–	–
Interest-bearing liabilities[1]	**(22.3)**	**(22.3)**	–	–

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.

Level 2 instruments include interest rate swaps which are either two, three or five 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 2022	**(22.3)**	**(4.1)**
Cash flows	(12.6)	1.4
Lease liability interest	–	(0.6)
31 March 2023	**(34.9)**	**(3.3)**
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)**

Notes forming part of the Company financial statements continued

17. Related-party transactions

In March 2023, the Company engaged with Nina Spencer, one of the non-executive directors, via Addidat Limited, to provide ESG benchmarking services against other AIM listed companies. The total cost of the services was £26,000, of which half of this amount was recognised in the year ended 31 March 2023.

The Company has made loans to LendInvest Warehouse Limited to fund a portfolio of loans. During the year to 31 March 2023, the Company made loans of £4.0 million (2022: £7.1 million) and received repayments in respect of loans of £0.1 million (2022: £2.7 million). The balance as at 31 March 2023 was £11.1 million (2022: £7.2 million). These loans are interest-bearing at 8% per annum.

£21.8 million (2022: £12.0 million) of the Company's trade receivables (see note 19) are unsecured intercompany receivables owed by Company's subsidiaries.

The Company also received the following fees from related-party subsidiaries:

	Year ended 31 March 2023 £'m	Year ended 31 March 2022 £'m
LendInvest Funds Management Limited	2.8	4.6
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 2023 (£'m)	Year ended 31 March 2022 (£'m)
Gross loans and advances	1,168.5	1,214.9
Off-balance sheet assets	1,418.5	931.2
Platform AuM	**2,587.0**	**2,146.1**

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 2023 (£'m)	Year ended 31 March 2022 (£'m)
Platform AuM	2,587.0	2,146.2
Committed funding available for lending	1,018.9	793.4
FuM	**3,605.9**	**2,939.6**

Glossary continued

Alternative Performance Measures

Adjusted EBITDA

The Group defines Adjusted EBITDA as Group profit or loss before non-cash movements on derivatives, finance expense, income tax, depreciation and amortisation, share-based payment charge, 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 and exceptional costs 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 2023 (£'m)	Year ended 31 March 2022 (£'m)
Profit after taxation	**11.4**	**10.9**
Finance expense	–	0.4
Derivative financial instruments and hedge accounting	(5.1)	(1.2)
Corporation tax	2.9	3.3
Depreciation and amortisation	2.1	2.8
Depreciation of right-of-use asset	0.7	0.8
Interest expense – lease liabilities	0.4	0.5
Share-based payment charge	1.9	1.2
Exceptional operating expenses	–	1.6
Adjusted EBITDA	**14.3**	**20.3**

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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LendInvest plc
Two Fitzroy Place,
8 Mortimer Street,
London, W1T 3JJ
lendinvest.com