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18 July 2023

lendinvest

LendInvest plc

FULL YEAR RESULTS FOR THE YEAR TO 31 MARCH 2023

Sustained growth in lending while navigating a challenging environment

LendInvest plc (AIM: LINV; the "Company" or the "Group"), the UK's leading platform for mortgages, is pleased to announce its audited results for the year ended 31 March 2023.

Rod Lockhart, Chief Executive of LendInvest, commented:
"I am pleased with the progress we have made over the past 12 months, despite a challenging market environment. We have continued to grow Platform Assets under Management, build new funding relationships, introduce new products and make significant advancements in technology. Our ability to adapt to changing market dynamics has been evident through our product offerings and pricing strategies. Additionally, we have also focused on reducing our credit risk profile and enhancing our capital efficiency.

"Whilst the economic backdrop remains uncertain, we remain confident in the resilience of our business model and funding strategy, the increasingly capital-efficient nature of our lending and the long-term opportunities for our disruptive, differentiated offering."

Summary Financials

Audited	**Year to 31 March 2023**	**Year to 31 March 2022**	**Change**
Platform Assets under Management (Platform AuM) (£m)[1]	2,587.0	2,146.1	21%
Funds under management (FuM) (£m)[1]	3,605.9	2,936.6	23%
Net operating income (£m)	54.7	50.5	8%
Total operating expenses (£m)	(40.4)	(36.3)	11%
Adjusted EBITDA (£m)[1]	14.3	20.3	(30)%
Profit before tax (£m)	14.3	14.2	1%
Profit after tax (£m)	11.4	10.9	5%
Diluted earnings per share[1]	8.0p	8.0p	-
Full year dividend per share[1]	4.5p	4.4p	2%

[1] Unaudited

Financial Highlights:

- Platform AuM increased by 21% to £2.6 billion (2022: £2.1 billion), driven by a 21% increase in Buy-to-Let ("BTL") Platform AuM.
- FuM increased by 23% to £3.6 billion (2022: £2.9 billion).
- Net operating income increased by 8% to £54.7 million (2022: £50.5 million), reflecting the increase in Platform AuM with net interest income increased by 45% and net fee income reduced by 37%.
- Adjusted EBITDA decreased by 30% to £14.3 million (2022: £20.3 million) primarily driven by expected launch costs for the new residential mortgage product in addition to an increase in impairment charges to £5.9 million (2022: £4.4 million) which was largely in relation to two legacy defaulted loans.
- Profit before tax increased by 1% to £14.3 million (2022: £14.2 million).
- Diluted earnings per share was stable at 8.0 pence per share (2022: 8.0 pence per share).
- The Board is recommending a final dividend of 3.2p per share resulting in a full year dividend of 4.5p per share (2022: 4.4p per share).
- Effective interest rate accounting: behaviour patterns of borrowers on the reversion rate are reviewed regularly.

Strategic highlights:

Products

- In December 2022, we successfully launched our first residential mortgage product to underpin our future growth.
- We completed our first Residential Investment Portfolio Loan product, launched in partnership with a US-based asset manager.
- In October 2022, in response to the interest rate volatility following the mini-budget, we launched a new two year tracker product range.

Funding

- Lloyds Bank, as a new source of FuM, committed £300 million to support the growth of our BTL business and our entry into the residential mortgage market.
- We secured an upsized commitment from J.P. Morgan from £725 million to £1 billion 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.
- We issued our third listed bond, the LendInvest Secured Income II plc 6.50% bonds due 2027, raising £38 million.
- We completed our fourth securitisation, which comprised £270 million of prime BTL mortgages with demand drawn from a broad range of institutional investors.
- Post year end, we completed a new £500 million partnership with Chetwood Financial to fund residential mortgages.

Strategic transactions

In line with our strategy to increase the proportion of our Platform AuM managed for third parties we completed the sale of our residual economic interest in:

- the Mortimer BTL 2020-1 securitisation for £7 million in March 2023.
- the Mortimer BTL 2022-1 securitisation for £5.8 million in August 2022.

ESG, people and culture

- As previously announced, Michael Evans will step down as CFO and as an Executive Director on 31 July 2023. David Broadbent joined the Company on 9 May 2023 and will become our CFO on Michael's departure in a non-board capacity, with the intention of joining the Board at a later date to be announced in due course.
- Our business operations were declared carbon neutral by third party Climate Care Partners.
- We 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.
- In November, we received the highest possible rating from ARC Ratings, highlighting our technology creates a seamless application process.

To facilitate our stakeholders' understanding of our financial statements and enable easier comparisons with our peer group, we have redesigned the format of our consolidated statement of profit and loss. The revised layout now provides a distinct breakdown of various income components. Specifically, it presents 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 as separate categories. This updated presentation aids in segregating the income derived from assets held on our balance sheet from those managed on behalf of third parties.

Presentation and webcast for analysts and investors

A conference call with management including an opportunity to ask questions will commence at 9.00am (BST) on 18 July 2023. A copy of the presentation will be available on the investor relations section of www.lendinvest.com from 8.55am.
To access the webcast, please register here
A playback facility will also be available in due course here

- Ends -

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About LendInvest

LendInvest is the UK's leading technology driven platform for mortgages, and is listed on the London Stock Exchange (AIM: LINV). LendInvest offers short-term, buy-to-let and homeowner mortgages. Its proprietary technology and user experience are designed to make it simpler for both borrowers and investors to access property finance. LendInvest has lent over £6bn of short term, development and buy-to-let mortgages. Its funders and investors include global institutions such as J.P. Morgan, HSBC, Citigroup and NAB, and, in 2019, it was the first Fintech to securitise a portfolio of buy-to-let mortgages.

The company was named Digital Innovation Award Winner at the Sunday Times Tech Track 100 Awards, Buy-to-Let Lender of the Year for 2020 at the NACFB awards, and one of FT1000's Fastest Growing Companies in Europe for 2021.

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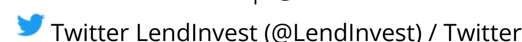
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We're making mortgages simple, for everyone.

Important Notices

The information contained within this announcement is deemed by LendInvest to constitute inside information as stipulated under the UK Market Abuse Regulation. By the publication of this announcement via a Regulatory Information Service, this inside information is now considered to be in the public domain. The person responsible for arranging for the release of this announcement on behalf of LendInvest is Rod Lockhart.

The information contained in this announcement is for information purposes only. This announcement has been prepared in accordance with English law, the UK Market Abuse Regulation and the AIM Rules for Companies and information disclosed may not be the same as that which would have been prepared in accordance with the laws of jurisdictions outside England. Subject to the requirements of the UK Market Abuse Regulation and the AIM Rules for Companies, the delivery of this announcement shall not create any implication that there has been no change in the affairs of LendInvest since the date of this announcement or that the information in this announcement is correct as at any time subsequent to its date.

Forward-looking statements

Certain statements in this announcement are forward-looking statements. In some cases, these forward looking statements can be identified by the use of forward looking terminology including the terms "anticipate", "believe", "intend", "estimate", "expect", "may", "will", "seek", "continue", "aim", "target", "projected", "plan", "goal", "achieve" and words of similar meaning or in each case, their negative, or other variations or comparable terminology. Forward-looking statements are based on current expectations and assumptions and are subject to a number of known and unknown risks, uncertainties and other important factors that could cause results or events to differ material from what is expressed or implied by those statements. Many factors may cause actual results, performance or achievements of LendInvest to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Important factors that could cause actual results, performance or achievements of LendInvest to differ materially from the expectations of LendInvest, include, among other things, general business and economic conditions globally, industry trends, competition, changes in government and changes in regulation and policy, changes in its business strategy, political and economic uncertainty and other factors. As such, undue reliance should not be placed on forward-looking statements. Any forward-looking statement is based on information available to LendInvest as of the date of the statement. All written or oral forward-looking statements attributable to LendInvest are qualified by this caution. Other than in accordance with legal and regulatory obligations, LendInvest undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. Nothing in this announcement should be regarded as a profit forecast.

CHIEF EXECUTIVE OFFICER'S REVIEW

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 six months that followed, 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 rapidly 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 BTL 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 them.

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). 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.

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 become our CFO on Michael's departure. The Nomination Committee will consider David's appointment to the Board at a later date.

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.

CHIEF FINANCIAL OFFICER'S REVIEW

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.

Summary Consolidated statement of profit and loss

	Year to 31 March 2023 £'m	Year to 31 March 2022 £'m	Change %
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	14.3	20.3	(30)
Platform AuM[1]	2,587.0	2,146.1	21

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.

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)

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	1,123.9		186.5	1,022.6	1,209.1

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.

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 flow

	Year to 31 March 2023 £'m	**Year to 31 March 2022 (restated) £'m**
Net cash outflow from operations	1.3	(147.9)
Net cash outflow from investing activities	(8.5)	(3.4)
Net cash inflow from financing activities	(64.3)	207.3
Net increase/(decrease) 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

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. 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.

STRATEGY SUMMARY AND PROGRESS

Our Strategy - is to 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:

(i) Grow - our global investor base with new major funding partnerships

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.

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.

(ii) Optimise - to power our next stage of growth

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.

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, Kamma, declared LendInvest carbon neutral for the year FY2023.

(iii) Expand - our product proposition and entering new markets

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.

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 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.

(iv) Invest - in our platform, to deliver a market-leading customer experience

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.

Delivering innovative products at speed is made possible by our 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.

KEY PERFORMANCE INDICATORS

Platform AuM £2,587.0 million

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.

FuM £3,605.9 million

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, extending the J.P. Morgan Separate Account and completed our fourth RMBS of £270 million BTL loans in May 2022.

Net operating income £54.7 million

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.

Adjusted EBITDA £14.3 million

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.

Profit before tax £14.3 million

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.

Diluted EPS 8.0p

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 remained flat at 8.0p

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.

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 Groups 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

<table>
<tr><td>Coverage</td><td colspan="3">100% (2022: 100%) of Group profit before tax
100% (2022: 100%) of Group revenue
100% (2022: 100%) of Group total assets</td></tr>
<tr><td rowspan="4">Key audit matters</td><td></td><td>2023</td><td>2022</td></tr>
<tr><td>Fraud in Revenue recognition</td><td>✔</td><td>✔</td></tr>
<tr><td>Determination of expected credit loss (ECL)</td><td>✔</td><td>✔</td></tr>
<tr><td>Valuation techniques of loans and advances</td><td>✔</td><td>✔</td></tr>
<tr><td>Materiality</td><td colspan="3">Group financial statements as a whole

£712,000 (2022: £711,000) based on 5% (2022: 5%) of Profit Before Tax.</td></tr>
</table>

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.

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.

Key audit matter		**How the scope of our audit addressed the key audit matter**
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 £4.5m (2022: Nil).	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. **Gains on derecognition 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 crystalises fee income and expense in respect of the de-recognised loan portfolios. These transactions are complex and have resulted in material gains.	**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 and recent performance. 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 interest recognised within the entity in the year has the contractual rights to recognise interest income. **Gains on derecognition 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 derecognition 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 that the accuracy of the gains on derecognition of assets was appropriate and accounted for appropriately.
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).	Commensurate with the activities of the Group, the total loan 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**	**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 managements 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 overlay. **Carrying value (loss given default) of individually assessed Stage 3 (credit impaired) loans.** We have selected a sample of individual assessment cases 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

	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 recovery's are subject to significant management judgments and estimates and the probability of scenarios weighting as recovery cashflows can differ materially between individual scenarios.	supporting case evidence assessed and discussions with the credit team we evaluated and challenged the judgements applied in the individually assessed Stage 3 loan assessments. This included assessment of the recovery strategies, recovery timelines, and the scenario weighting applied in the individual assessment. **Key observations:** Based on our audit work performed, we consider the estimates made by management in the calculation of the impairment provision for loans and advances to be reasonable, and in line with the requirements of IFRS 9.
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 -£35.5m (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 assumptions in the determination of the discount rate used to discount future cashflows. The Group's models are materially sensitive to small changes in the discount rate assumption, 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. With the assistance of our valuations expert team 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.

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	421,000	510,000
Basis for determining materiality	5% of profit before tax		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	315,000	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. 1 2 In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: ● adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or ● the Parent Company financial statements are not in agreement with the accounting records and returns; or ● certain disclosures of Directors' remuneration specified by law are not made; or ● we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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:

3

- Companies Act 2006;
- AIM Listing Rules
- UK tax legislation
- UK-adopted International Accounting Standards

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:
  - o Detecting and responding to the risks of fraud; and
  - o 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	19	(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 [75 to 118] 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

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 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. 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. 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 [58]. The Company's registered number is 08146929. The principal place of business of the Group is the United Kingdom.

1.3 Basis of preparation

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

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.

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, £380.4 million (2022: £622.6 million). £38 million of these loans have entered the reversion period and further £134 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.

Synthetic LIBOR fixing is an aggregate of the risk free rate and a fixed spread. The fixed spread element of the synthetic LIBOR rate will generate a maximum additional £0.2 million of interest revenue on the LIBOR indexed BTL portfolio prior to transition to BBR.

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.

1.7 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.

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.

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

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**

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**

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.

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.

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)	(1,371.6)	(257.8)	(305.9)	(415.9)	(392.0)
Derivative financial liability	–	–	–	–	–	–
Lease liability	(3.3)	(3.8)	(0.7)	(0.7)	(2.4)	–
	(1,184.9)	**(1,397.7)**	**(280.8)**	**(306.6)**	**(418.3)**	**(392.0)**

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)	–
	(1,263.5)	**(1,708.5)**	**(104.8)**	**(4.5)**	**(447.5)**	**(1,151.7)**

(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)	0.2	(0.2)
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**

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 [34 to 35].

	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 [49 to 57].

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)**

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 20).

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
- 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.

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

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.

	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)	–	–	–

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**

	Interest-bearing liabilities £'m	Leases £'m	Derivatives £'m
31 March 2022 (restated)	**(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 £'m	Leases £'m	Derivatives £'m
31 March 2021 (restated)	**(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 (restated)	**(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

	Ord 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 interet 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).

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**

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)**

(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 in 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
- 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).

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

	Year ended 31 March 2023		Year ended 31 March 2022	
Instrument type	Asset £'m	Liability £'m	Asset £'m	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		Year ended 31 March 2022	
	£'m	Pence per share	£'m	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	12	(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 [122 to 132] 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 [58]. The Company's registered number is 08146929. The principal place of business of the subsidiaries is the UK.

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

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

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).

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 subisidiaries	–	–
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

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.

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**

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.

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)**

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.