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24 July 2024

LendInvest plc

FULL YEAR RESULTS FOR THE YEAR TO 31 MARCH 2024

Continued Innovation and Resilience Amid Market Challenges

LendInvest plc (AIM: LINV; the "Company" or the "Group"), the UK's leading platform for mortgages, announces its audited results for the year ended 31 March 2024.

Rod Lockhart, Chief Executive of LendInvest, commented:
"Our strategic focus on technology, funding diversification and exceptional customer service has bolstered our resilience during what has undoubtedly been a challenging year, but also a year of important strategic transition. The successful launch of our Mortgages Portal is a testament to our innovative approach and commitment to delivering operational efficiency and growth. We remain confident in and focused on our target of returning to profitability during the current financial year.

"Our team's strategic initiatives have laid a strong foundation for future success, and I am particularly thankful for their dedication over the last 12 months."

Summary Financials

Audited	Year to 31 March 2024	Year to 31 March 2023	Change
Platform Assets under Management (Platform AuM) (£m)[1]	2,783.3	2,587.0	8%
Funds under management (FuM) (£m)[1]	4,127.3	3,605.9	14%
New Lending (£m)	886.5	994.8	(11%)
Net Fee Income (£m)	15.9	11.2	42%
Net operating income (£m)	23.5	54.7	(57%)
Total operating expenses (£m)	(50.8)	(40.4)	26%
Adjusted EBITDA (£m)[1]	(15.1)	14.3	(206%)
(Loss)/Profit before tax (£m)	(27.3)	14.3	(291%)
(Loss)/Profit after tax (£m)	(20.1)	11.4	(276%)
Diluted earnings per share[1]	(14.5)p	8.0p	(281%)
Full year dividend per share[1]	-	4.5p	-

[1] Unaudited

Financial Highlights

- Platform AuM increased by 8% to £2.8 billion, driven by a 13% increase in Buy-to-Let (BTL) and short-term mortgages
- FuM grew by 14% to £4.1 billion, driven by £700 million in new Separate Account mandates
- Debt reduced by £645 million (56%)
- Net Fee Income up 42%, primarily a result of a continued strategic shift towards third-party managed assets
- Adjusted EBITDA decreased to £(15.1) million, reflecting lower originations and higher administrative costs, but H2 EBITDA of £(4.3) million represented a 60% improvement on H1
- Loss after Tax: £(20.1) million, driven by accelerated recoveries of non-performing assets, disposal of low-margin assets, lower lending volumes, and a higher degree of one-off costs
- Cash and Cash Equivalents increased by 19% to £55.7 million, enhancing our liquidity position

Strategic Highlights

Products and Technology
- Launched LendInvest Mortgages Portal, a fully integrated platform enhancing broker and customer experience and enhancing cross selling opportunities
- Strengthened residential mortgages offering, targeting underserved market segments with significant growth potential
- Implemented a seamless product switch process for brokers to transition to a new loan at maturity, improving customer retention and cross selling
- Applications can now be completed in under five minutes

Diversified funding
- Welcomed BNP Paribas to a £300 million funding syndicate with HSBC, and Barclays
- Secured two new Separate Account mandates, providing £500 million to support the Mortgages division in Buy-to-Let and £200 million to support short-term mortgages
- Extended and enhanced our funding partnership with National Australia Bank

Strengthening the balance sheet and de-risking the business

- *Reduced borrowing and extended maturity profile*
  - Repaid our second £55 million retail-eligible bond and launched a new £39 million retail-eligible bond
  - Strategic reduction in balance sheet loans leading to simplification of funding model
  - Completed our fifth and largest oversubscribed RMBS transaction to securitisation to date at £410 million, reflecting strong market demand for LendInvest assets
  - New three-year strategic funding facility of £42.5 million, reducing mezzanine borrowing by £30 million
  - Total debt reduced by £645 million (56%) with the leverage ratio reducing by 39%

- *Accelerated recovery of non-performing assets*
  - Sold a £250 million low margin BTL portfolio at a loss of £10.6 million, captured within net gains/(losses) on derecognition of financial assets removing lower net interest margin assets that would dilute future earnings
  - Accelerated recovery of non-performing assets to prioritise cash in our Capital division

- *Restructured the cost base*
  - Headcount restructured to c.200 employees with payroll costs reduced by c.25% per annum

ESG and People
- Senior Management: In March 2024, Hugo Davies, our Chief Capital Officer, took on the role of Interim CFO, ensuring business continuity following the departure of predecessor David Broadbent. Stephen Shipley, with over 30 years of financial sector experience, including roles at Barclays and Foundation Home Loans, is now appointed as Chief Financial Officer. Hugo will return to his role as well as now assuming responsibilities as Managing Director of the Mortgages division.
- Maintained carbon neutrality and achieved a 61% reduction in operating emissions
- Continued focus on sustainable projects, supporting retrofit and energy-efficient property financing
- Launch of new Mortgages Academy in Glasgow to develop industry talent and expertise

Outlook
- UK mortgage market showing signs of improvement, giving cause for cautious optimism

- Leading technology and excellent market reputation providing further support
- Return to profitability expected during FY2025, as previously forecast

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 X July 2024. 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

Change of name of nominated adviser and broker
The Company also announces that its Nominated Adviser and Broker has changed its name to Panmure Liberum Limited following completion of its own corporate merger.

- Ends -

Enquiries:

LendInvest via Teneo	+44 (0)20 7353 4200
Rod Lockhart, Chief Executive Officer	
Hugo Davies, Interim CFO and Chief Capital Officer	
Leigh Rimmer, Director of Communications	
investorrelations@lendinvest.com	
Panmure Liberum (NOMAD and Broker)	+44 (0)20 7886 2500
Atholl Tweedie / Stephen Jones / / David Watkins	
Teneo (Financial PR)	+44 (0)20 7353 4200
Ed Cropley / Olivia Lucas / Oscar Burnett	

About LendInvest
LendInvest is the UK's leading 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 £7bn of short term, development, buy-to-let and homeowner 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.

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 financial year has reflected both the complexities and opportunities of our evolving market. In the first half of the year, we initiated an internal restructuring, prioritising liquidity, enhancing the balance sheet by reducing and extending our debt, and strategically reducing our cost base. These were vital to navigate a turbulent period and lay a solid foundation for future growth.

In the second half of the year, we saw encouraging improvement in the operating environment, marked by an uptick in market activity, allowing us to make significant strides in our product offerings, funding partnerships and technology developments.

Market backdrop and financial performance

In 2023, rising interest rates in the UK increased the cost of mortgages for borrowers and dampened house prices, resulting in lower levels of mortgage approvals and property transactions. Interest rate swaps remained volatile due to major domestic and international macroeconomic events, creating operational friction and making it harder to maintain a consistent, competitively priced product range. As a result, our growth and profitability were impacted.

Despite this, we continued to grow our Funds under Management (FuM) and make strategic progress, a testament to our resilience and the fundamental strengths of the business. This has been especially evident in our decision to achieve a balanced and diversified range of funding sources.

2024, however, has brought renewed confidence to the UK property market, underpinned by declining inflation and lower interest rate swaps. We have also seen a year-on-year increase in mortgage approvals for house purchases and remortgaging. The adjustment in five-year swap rates to 3.32% in late 2023 allowed us to reduce rates and test our capacity to originate while demonstrating our ability to distribute effectively as we become more price competitive. Utilising the superior product-management capabilities of our Mortgages Portal, we introduced highly competitive Buy-to-Let products that increased our application volumes. In early January 2024, applications tripled compared to December 2023.

Strategic progress

FY23 marked a pivotal year for LendInvest with the smooth launch and steady growth of our short-term mortgages product line. This launch signified a major expansion of our services, tailored to meet the evolving needs of our diverse customer base. Reflecting this expansion, we established LendInvest Mortgages and LendInvest Capital, formalising our corporate structure to better serve our different customers and enhance operational efficiency.

Further enhancing our technological edge, in early 2024 we launched the proprietary next-gen Mortgages Portal. This platform revolutionises the management of our Residential, Buy-to-Let (BTL), and short-term mortgages by integrating these services into a single, user-friendly platform. This consolidation has driven significant cost efficiencies while maintaining our capacity for high-volume operations.

Operational excellence and innovation

The Mortgages Portal streamlines the entire mortgage management process, from decisions in principle to final offers, significantly reducing friction for brokers. This efficiency is evidenced by an 80% faster retrieval of case information and the ability for brokers to submit a full application in under five minutes.

The portal also introduces a new product transfer process, allowing brokers to easily switch products at maturity with just a few clicks, enhancing customer retention and satisfaction. Furthermore, the enhanced capability to deliver pricing changes three times faster than before ensures that we remain competitive, agile, and responsive to market dynamics.

Strengthened funding partnerships

We have also strengthened our financial foundations through strategic partnerships and significant funding initiatives. We welcomed BNP Paribas into a £300 million funding syndicate alongside HSBC and Barclays, bolstering our short-term mortgages.

A landmark achievement was securing a new £500 million Separate Account mandate which has substantially strengthened our Buy-to-Let product offering, while providing the opportunity to increase our fee revenue. The mandate can also support our growing residential homeowner product once scaled. Additionally, we successfully issued our fourth listed bond under the LendInvest Secured Income II plc, due 2027, raising £39 million. The completion of our fifth and largest oversubscribed RMBS transaction and subsequent sale of the residual economic interest further underscored the strategic objective of reducing the proportion of assets on the balance sheet and supported our strategy to reduce our debt.

Commitment to sustainability and good governance

In a year marked by global economic adjustments, our commitment to sustainability has remained steadfast. Our ESG strategy is more than a commitment - it is a core component of our long-term success. This year, we have maintained our carbon neutrality, and furthered our sustainability initiatives to not only align with, but exceed industry standards; reinforcing our position as a leader in responsible business practices. Our efforts are focused on continuous improvement in our governance practices, enhancing transparency, and fostering an ethical culture that supports our business and stakeholder interests.

People and culture

The dedication and hard work of our team has been central to navigating this year's challenges. The strategic appointments across our departments have injected fresh perspectives and expertise that are vital for our growth and operational excellence. The success of our existing Apprenticeship scheme, and the recent launch of our Mortgages Academy in Glasgow are highlights of the year, reflecting our commitment to developing talent and ensuring that new entrants into the mortgage industry are well-equipped with the necessary skills and insights.

The ongoing expansion of our Glasgow office also underscores our determination to grow our presence in Scotland.

Outlook

As we look to the future, we remain cautiously optimistic. Our investments in technology and innovation are designed to ensure that we remain at the forefront of the industry, adaptable to change, and competitive in our offerings.

With a solid strategic plan and a clear focus on increasing operational efficiency, we are well-positioned to get our growth trajectory and profitability firmly back on track during FY25, increasing origination volumes and delivering sustained value to our customers and shareholders.

CHIEF FINANCIAL OFFICER'S REVIEW

The first six to nine months of the 2024 financial year presented significant challenges for our business. In response to soaring inflation, the Bank of England Base Rate rapidly increased from 0.10% to 5.25% in less than two years, reaching its highest level since the Financial Crisis. This increase impacted key markets that drive our revenue growth, such as professional Buy-to-Let and Specialist Residential mortgages, which saw volumes decrease by 50% and 30%, respectively, during 2023. These declines were primarily due to stringent affordability conditions, a weaker housing market outlook, and a reduction in investment confidence fuelled by political and economic uncertainty. Consequently, the mortgage market, and our business, were affected.

However, throughout the year, the business continued to focus on its strategy to simplify operations and transition to a more predictable, fee revenue model. This strategic momentum has been demonstrated through several significant accomplishments:

1. **Deployment of Proprietary Technology:** We introduced new, market-leading proprietary technology for mortgage origination and case management, enhancing efficiency and customer experience.
2. **Capital Markets Projects:** We successfully completed multiple capital markets projects, optimising our balance sheet and demonstrating the strength of our investor relationships and the attractiveness of our credit performance through the cycle.
3. **Short-Term Mortgages Service Proposition:** Despite numerous price adjustments in response to market interest rates, our short-term mortgage service proposition saw completions grow by 14% year-on-year, underscoring its robustness and market relevance.

Our comprehensive suite of property finance solutions enables us to capitalise on counter-cyclical dynamics, expanding our customer base and providing substantial marketing potential for Buy-to-Let (BTL). In the BTL sector, we were pleased to see a resurgence in demand in Q4, which lifted H2 originations by 53% compared to H1. This resurgence was further supported by a 111% increase in signed applications in H2 versus H1, bolstering our pipeline through to the first quarter of FY25, even as markets slowed due to sustained higher interest rates.

Overall, AuM has grown by 8% year-on-year, driven by a 13% increase in the LendInvest Mortgages division, primarily fuelled by AuM growth in Buy-to-Let and short-term mortgages. However, originations were down by 11% due to broader economic factors as described above.

Balance sheet AuM saw a significant reduction of nearly 60% year-on-year, primarily due to an 88% reduction in the size of the Buy-to-Let balance sheet. Balance sheet short-term mortgage AuM grew by less than 1% year-on-year, despite originations growth, highlighting the rapid deployment of new separate account arrangements in this area.

Our Funds under Management (FuM) remained resilient, achieving 14% growth year-on-year, driven by the successful closing of several key transactions:

1. **Refinancing of Retail-Eligible Bonds:** We successfully refinanced our 2023 retail-eligible bonds with a new 2026 offer.
2. **Largest Securitisation:** We closed the Company's largest securitisation to date at £410 million, which was the tightest-priced Buy-to-Let RMBS in H2 of 2023.
3. **New Separate Account Mandates:** We secured two new Separate Account mandates, providing £500 million to support the Mortgages division in Buy-to-Let and £200 million to support short-term mortgages.
4. **Revamped Financial Partnerships:** We revamped our Financial Partnership with National Australia Bank, delivering new criteria to support growth and adapt to changing market dynamics in Specialist Residential and Buy-to-Let.
5. **New Partners:** We welcomed BNP Paribas as a new partner in our balance sheet-funded short-term mortgage business and post-year end welcomed a further investor to support the growth trajectory in short-term mortgages.

Additionally, we closed several transactions that helped to reduce the business' debt by £645 million over the course of the year, continuing our strategy to a fee led revenue model.

As of the end of the financial year, we maintained significant headroom in our Funds under Management (FuM) relative to our Assets under Management (AuM), ensuring robust support for the business's continued growth and achievement of its objectives. The proportion of AuM held on the balance sheet reduced year-on-year from c.45% to c.17%, with £2.3 billion of our nearly £2.8 billion in assets managed on behalf of third parties.

To provide clarity for our investors on how structural changes in AuM impact revenue generation, we outline our financial performance as follows. Net interest income is recognised in accordance with IFRS 9, while net fee income is recognised under IFRS 15.

Group £m	Year to 31 March 2024	Year to 31 March 2023	Change (%)
Funds under management	**4,127.3**	**3,605.9**	**14%**
Platform assets under management	**2,783.3**	**2,587.0**	**8%**
On balance sheet	477.0	1,122.9	(58)%
Off balance sheet	2,306.3	1,464.1	58%
New Lending	**886.5**	**994.8**	**(11)%**
(Loss)/profit before tax	**(27.3)**	**14.3**	**(291)%**
Basic earnings per share	(14.5)p	8.3p	(275)%
Diluted earnings per share	(14.5)p	8.0p	(281)%
Adjusted EBITDA	(15.1)	14.3	(206)%

Group Financial Performance

Group £m	Year to 31 March 2024	Year to 31 March 2023	Change (%)
Net interest income	8.5	38.4	(78)%
Net fee income	15.9	11.2	42%
Net gains on derecognition of financial assets	(1.0)	4.9	(120)%
Net other operating income	0.1	0.2	(50)%
Net operating income	**23.5**	**54.7**	**(57)%**
Administrative expenses	(42.4)	(34.5)	23%
Impairment losses on financial assets	(8.4)	(5.9)	42%
Total operating expenses	**(50.8)**	**(40.4)**	**26%**
(Loss)/profit before tax	**(27.3)**	**14.3**	**(291)%**
(Gains) from derecognised cash flow hedge	-	(9.2)	-
Losses/(gains) from derivative hedge accounting	4.0	(5.1)	(178)%
Restructuring costs	1.6	-	-
Exceptional professional costs	1.1	-	-
Underlying (loss)/profit before tax	**(20.6)**	**0.0**	**-**

Net Interest Income (NII)

Net Interest Income decreased by 78% to £8.5 million (2023: £38.4 million), primarily due to the strategic shift towards managing more assets on behalf of third parties and higher debt costs. In 2023, NII benefited from a £9.2 million gain recognised on the exercise of a call option and the settlement of a designated cash flow hedge. Net Interest Income is recognised on loans and advances held on the balance sheet.

The business continued to transform the composition of its balance sheet, with the Mortgages division now managing £1.5 billion worth of Separate Account mandates in Buy-to-Let alone. Consequently, the proportion of Buy-to-Let AuM held on the balance sheet reduced by 88% year-on-year, significantly impacting Net Interest Income.

The proportion of AuM held on the balance sheet at any given time can fluctuate as the business utilises three main funding tools to reduce the amount of loans and advances held on the balance sheet:

1. **Separate Account Mandates:** These transactions affect front book origination, taking a greater share of what would have ended up on the balance sheet.
2. **Private Portfolio Sales:** Mostly used as a tool to seed Separate Account mandates with a mature loan book. These transitions affect the back book.
3. **Transfer of Residual Interest in RMBS Transactions:** The business typically seeks to securitise its BTL loans and advances, and place residual certificates once a year, allowing it to recycle lending capital, maintain liquidity, and release impairment adjustments by removing exposure to credit risk.

Net Fee Income (NFI)

Net Fee Income increased by 42% to £15.9 million (2023: £11.2 million). This growth is attributed to our expanding third-party managed account business. NFI is not expected to fully offset the reduction in Net Interest Income (NII) as the NII is also impacted by credit provisioning in the impairment losses on financial assets line. NII is primarily driven by our stock of loans, while NFI is primarily driven by the flow of loans. Given the challenges faced in 2023, originations would have needed to be higher to compensate for the foregone revenue in NII. Despite this, the business is pleased with the current growth in this predictable and recurring income area.

The Capital division experienced a challenging year, with originations down by 38%, in line with a 36% reduction in enquiries. The difficulty in maintaining a robust pipeline meant that redemptions outpaced originations, causing the division's AuM to fall by approximately 11%, which exerted additional downward pressure on NFI against our plan. Despite these challenges, the Capital division generated £0.3m in net performance fees in FY24.

Impact of derecognition on Financial Performance

Throughout the year, the business closed several transactions that transitioned assets to third-party investors. These transactions successfully raised liquidity and allowed us to reduce our debt by £645 million, despite being generally unfavourable to profitability at the point of derecognition.

Buy-to-Let Portfolio Sale: This project involved the sale of a prime portfolio of Buy-to-Let (BTL) assets worth £250 million, which took place in the first quarter of the financial year. The transaction was economically impacted by wider market forces following the collapse of Credit Suisse. Initially, we had received a bid that would have delivered a more neutral P&L result, but the bidder had to withdraw due to substantial investments in Credit Suisse's AT1 bonds that were written off overnight. As a result, the loss from the transaction amounted to £10.6 million.This sale seeded a new Separate Account funding partnership to fund future mortgage originations.

Mortimer BTL 2023-1 Securitisation: This transaction involved the derecognition of £410 million in BTL assets, resulting in a loss. Despite the loss, the transaction was cash generative and enabled the business to pay down senior debt, repay mezzanine financing, and increase company cash reserves.

Mortimer BTL 2021-1 Securitisation: This transaction involved the derecognition of £236 million in BTL assets, resulting in a net pre-tax profit of £10.8 million.

All gains or losses from such transactions, alongside sales of individual loans to off balance sheet entities, are recorded in the net gains on derecognition of financial assets line above Net Operating Income.

Cost Management

During the first eight to 10 months of the year, administrative expenses grew significantly, without the underlying market to support such levels of growth. The business found it challenging to right-size operations given the ongoing volatility of interest rates and inflation expectations, which are natural leading indicators of mortgage market activity. We were concerned that reducing our origination capability too soon or too materially could result in the inability to capitalise on a market recovery, should it occur. This would leave us with the tail risk of having to backfill origination capacity, which is suboptimal as new hires learn new products and processes. However, the anticipated recovery did not materialise in 2023, causing our cost base to reach a peak and ultimately necessitating a material restructuring exercise in November.

Administrative expenses increased by 23% to £42.4 million (2023: £34.5 million), significantly impacting profit. To manage this cost inflation, we have implemented several measures:

1. **People-Related Restructuring:** In November, we completed a substantial restructuring exercise, reducing run rate people-related costs by over 25%.
2. **Operational Shift to Glasgow:** We pivoted and prioritised lending operations and support functions to our Glasgow office.
3. **Proprietary Technology Rollout:** We rolled out new proprietary origination and mortgage processing technology, driving operating leverage and allowing for more careful cost management without compromising origination capacity.

We expect these measures to positively influence long-run operational expense dynamics and right-size the business in the context of smaller addressable markets as soon as FY25, but with more benefits coming through in FY26. In FY25, there will continue to be a slightly suboptimal cost as support and operational roles are migrated. Furthermore, the lease on our London office expires in 2025 providing the potential for cost savings through a smaller presence, which will result in lower lease costs from FY26.

The restructuring cost was £1.6 million and is considered a one-off, booked in the additional item line of the P&L statement.

More broadly, the business has significantly tightened its approach to cost management, implementing new processes to govern contracts and discretionary expenditure. Further cost optimisation has been targeted towards technology and group central cost areas in order to maintain lending capacity. As market activity picks up once interest rates fall, we will be able to capitalise on opportunities afforded by our newly deployed proprietary technology from a position of relative strength.

Impairments

Impairment losses grew 42% to £8.4 million (2023: £5.9 million), but improved in H2 vs H1. This primarily reflects accelerated management of recoveries coupled with an increase in expected credit losses on a small number of larger stage 3 Capital division loans in H1 (stage 3 grew by 140%, whereas stage 2 grew by 6%). The majority (£7.6 million) of the charge in the year, exacerbated by the market backdrop, can be attributed to loans from our Capital division. The increase in impairment losses for our Capital division was isolated, as loans to three borrowers made up 50% (£3.2 million) of the total Capital impairment charge.

Profit

As per our RNS released on 17 June, we announced that the sale of residual economic interest in the Mortimer BTL 2023-1 PLC securitisation was no longer expected to generate a net pre-tax gain. Consequently, the Loss before Tax for FY24 is £(27.3) million (FY23: £14.3 million). We had previously guided the market to expect a Loss before Tax in line with average consensus expectations of £(15.9) million including a net pre-tax gain of approximately £12 million from the sale of residual economic interest in Mortimer BTL 2023-1 PLC securitisation.

The negative adjustment stems from swap and hedge accounting assumptions based on technical advice received concerning the derecognition calculation for the Mortimer 2023-1 BTL PLC securitisation. The wider loss for the year can be attributed to several factors:

- Materially lower lending volumes against a higher administrative cost base.
- Transactional losses, including hedge accounting ineffectiveness exacerbated by the challenging market backdrop.
- Increased impairment losses.
- Tighter lending margins impacting Net Fee Income (NFI) and Net Interest Income (NII).
- Higher audit costs, that should reduce as the business model is simplified

The underlying loss before tax for H2, before exceptional items, was £(6.7) million, which represents a 52% improvement versus H1. Similarly, adjusted EBITDA was £(4.3) million in H2, a 60% improvement on H1. Exceptional professional costs contain £0.5m of technology-related research and consultancy work and £0.6m of finance transformation support from professional services firms.

Profit after Tax decreased by 276% to £(20.1) million (FY23: £11.4 million). The effective tax rate in the year was 26%, a small variance to the corporate tax rate of 25%.

Adjusted EBITDA decreased by 206% to £(15.1) million (FY23: £14.3 million), basic earnings per share was (14.5)p per share (FY23: 8.3p per share) and diluted earnings per share was (14.5)p per share pence (FY23: 8.0p per share).

Outlook and dividend

Guidance for FY25 remains unchanged, with respect to our expectation of returning to profitability during the course of the financial year. We will not be declaring a dividend given the scale of negative reserves, but remain committed to pursuing a progressive dividend policy as soon as it is prudent to do so.

Group Balance Sheet/Financial position/Net assets

	31 March 2024	31 March 2023	Change (%)
Assets			
Cash and cash equivalents	55.7	46.7	19%
Trade and other receivables	11.9	6.1	95%
Loans and advances	477.0	1,122.9	(58)%
Investment securities	41.1	23.9	72%
Derivative financial asset	0.0	46.0	(100)%
Other assets	15.9	17.2	(8)%
Total assets	**601.6**	**1,262.8**	**(52)%**
Liabilities			
Trade and other payables	(23.4)	(23.7)	(1)%
Other liabilities	(2.3)	(3.3)	(30)%
Derivative financial liability	(2.0)	0.0	-
Interest bearing liabilities	(514.6)	(1,159.3)	(56)%
Total liabilities	**(542.3)**	**(1,186.3)**	**(54)%**
Net Assets	**59.3**	**76.5**	**(22)%**

Equity			
Other reserves	10.1	2.3	339%
Share capital	0.1	0.1	0%
Share premium	55.2	55.2	0%
Retained earnings/(losses)	(6.1)	18.9	(132)%
Total Equity	**59.3**	**76.5**	**(22)%**

AUM held on balance sheet (represented as Loans and advances) equalled £477 million, down 58% from 2023 (£1.123 billion). The reduction was driven by a £250 million portfolio sale and two RMBS derecognition transactions, which were partially offset by balance sheet activity primarily in the Mortgages division.

Cash and cash equivalents grew 19% to £55.7 million (FY23: 46.7 million). The growth is attributed to a £6.5 million increase in cash restricted for loan funding purposes. Trade and other receivables increased by 95% to £11.9.million (2023: £6.1 million) due to corporation tax receivable from carry back of losses. Investment securities increased by 72% to £41.1 million (2023: £23.9 million) due to risk retention in our fifth Securitisation in November 2023. The derivative financial asset reduced to nil in the period (2023: £46.0 million) as we recognised a £2 million derivative financial liability (2023: £0 million) and other assets reduced by 8% to £15.9 million (2023: £17.2 million).

Interest bearing liabilities reduced by 56% to £514.6 million (2023: £1.159 billion) as a result of various transactions to pay down debt and two residual sales during the year.

Total equity reduced by 22% to £59.3 million (2023: £76.5 million), primarily as a result of 132% reduction in retained earnings/(losses), from £18.9 million in 2023 to £(6.1) million. Other reserves increased by 339% to £10.1 million (2023: £2.3 million) largely due to positive movements in the fair value reserve.

Cash and cash flow

	Year to 31 March 2024 £'m	Year to 31 March 2023 £'m (restated)
Net cash outflow from operations	28.6	(192.7)
Net cash outflow from investing activities	(16.9)	(24.9)
Net cash inflow from financing activities	(2.7)	146.1
Net increase/(decrease) in cash and cash equivalents	9.0	(71.5)
Cash and cash equivalents at beginning of the period	46.7	118.2
Cash and cash equivalents at end of the period	55.7	46.7

Cash and cash equivalents grew 19% to £55.7 million (2023: £46.7 million). £38.5 million of the total balance is restricted for loan funding purposes (2023: £31.9 million).

The remaining cash balance increased by 17% to £17.2 million from £14.7 million in FY23. The growth is due to capital generated from residual sales, portfolio sales and securitisations, which are then recycled at a slower pace given the growth in Separate Accounts, further evidence that the business has taken tough decisions to fortify its balance sheet, especially when coupled with £645 million of debt reduction over the year.

Segmental analysis - LendInvest Mortgages & LendInvest Capital

	Year to 31 March 2024	Year to 31 March 2024	Year to 31 March 2024	Year to 31 March 2024
	Mortgages (£'m)	Capital (£'m)	Central (£'m)	Group (£'m)
Net interest income	(1.7)	10.2	-	8.5
Net fee income	7.9	8.0	-	15.9
Net gains on derecognition of financial assets	(1.6)	0.6	-	(1.0)
Net other income	0.1	-	-	0.1
Net operating income	**4.7**	**18.8**	**0.0**	**23.5**
Administrative expenses	(11.6)	(5.1)	(25.7)	(42.4)
Impairment losses on financial assets	(0.8)	(7.6)	-	(8.4)
Total operating expenses	**(12.4)**	**(12.7)**	**(25.7)**	**(50.8)**
(Loss)/profit before tax	**(7.7)**	**6.1**	**(25.7)**	**(27.3)**

LendInvest Mortgages

The Mortgages division differentiates itself through a strategic combination of competitive pricing and exceptional service. Given the high price elasticity of the mortgage market segments we address, it is crucial to offer pricing that keeps our products competitive, particularly under current affordability constraints. In contrast, the short-term mortgages segment is less price-sensitive, with borrowers prioritising speed and certainty over price, making our performance more dependent on our capabilities than on market dynamics.

With banks, especially challenger banks in specialist lending, needing to reprice savings deposits in line with the base rate, non-bank lenders have narrowed the pricing gap. This shift has been bolstered by favourable conditions in securitisation markets. Securitisation pricing serves not only as a reference for our balance sheet lending but also for our Separate Account mandates, even when it is not the primary funding tool of our partners.

We continuously refine our funding base across the Mortgages division to maximise margins against the risks we are exposed to, while ensuring our products remain competitively positioned. Funding arrangements are reviewed at least annually, and we nurture strong relationships with a broad network of institutional investors. Our commitment to professional service, underpinned by a 15-year legacy of finding ways to say yes, further distinguishes us in the market. This strategic approach, supported by a diverse funding base and a wide suite of products, is enhanced by our proprietary technology.

The Mortgages division is ideally suited for technological automation to maximise operating leverage. Homogenous products are highly scalable, and our proprietary technology can automate workflows and enable streamlined processing across a range of specialist lending products. This eliminates the need for extensive manual intervention, ensuring seamless product development and iteration, in stark contrast to the restrictive scorecard approach often seen in banks.

The past year for the Mortgages division was marked by significant challenges. The first half of the year involved a high cost base, substantial deleveraging, and a reduced addressable market due to record interest rates and high inflation. Despite these challenges, we have fortified our balance sheet by prioritising liquidity, reducing debt, reducing costs, and deploying advanced technology. This positions us more resiliently for future growth.

The Mortgages division incurred a loss before tax of £7.7 million for the year. This includes £4 million attributable to non-hedge accounted swap movements and hedge accounting ineffectiveness which led to negative NII of £1.7 million, a net loss of £1.7 million from three derecognition projects and individual sale of loans off balance sheet, and challenges in aligning origination capacity with origination potential. We look forward to leveraging our strengthened position to drive future success and make up for this disappointing year, given we started to see the greenshoots of our actions emerge in Q4.

LendInvest Capital

The Capital division focuses on complex lending that benefits from an expert, human-centric approach. While the average loan size is larger, which offsets the fewer opportunities available, these loans often come with more favourable risk-reward profiles. The division is active in Development Finance, Structured Bridging, Lending Joint Ventures, and other forms of large commercial property lending.

Due to the complexity of these products and the potential for larger impairment provisions, they are primarily funded through third-party sources of capital. This includes our funds platform, syndications, online investment platform, private securitisation, separate accounts, and joint ventures with our funds.

The Capital division has faced a challenging capital-raising environment for some time, with core milestones being delayed due to sentiment in global commercial real estate markets. The success of our capital-raising efforts is influenced by global trends, as capital is sourced from around the world.

Looking ahead, the outlook is more positive. We expect capital-raising activity to pick up, enabling us to be more active in these markets once again and driving recurring fee revenue over time. Furthermore, from our vantage point, there continues to be a healthy deal supply that we can capitalise on.

The Capital division posted a £6.1 million profit for FY24.

STRATEGY SUMMARY AND PROGRESS

LendInvest Mortgages Strategy

LendInvest Mortgages provides fast, flexible, and simple mortgages to homeowners, experienced property investors, and portfolio landlords across the UK. Our strategy is built on three pillars: Service, Technology, and People.

1. Service: We distinguish ourselves through the quality of our service. Our commitment to professional service, underpinned by a 15-year legacy of finding ways to say yes, sets us apart in the market. We focus on delivering exceptional customer experiences, ensuring that our products and services meet the needs of our borrowers and brokers.

2. Technology: Our proprietary technology platform powers our innovative mortgage products. We have invested over £60 million in developing a market-leading platform that enables seamless integration with third-party data sources, automating underwriting processes, and ensuring reliability and scalability. This year, we launched the latest iteration of our Mortgages Portal, which centralises the mortgage process, offering brokers and their clients real-time access to our entire product range.

3. People: Our talented team is at the core of our success. We invest in continuous professional development, fostering a culture of innovation and responsibility. This year, we launched the Mortgages Academy in Glasgow, reflecting our commitment to developing talent and ensuring that new entrants into the mortgage industry are well-equipped with the necessary skills and insights.

Key Mortgage Products:

- Buy-to-Let Mortgages: Tailored for investors and landlords seeking to expand their portfolios.
- Residential Mortgages: Designed for complex homeowner customers, including the self-employed and those with diverse income sources.
- Short-term Mortgages: Flexible borrowing solutions with terms ranging from 12 to 24 months.

Strategic Achievements:

1. Launch of the LendInvest Mortgages Portal: A significant operational leap forward, providing seamless access to our entire product range and facilitating easier transitions for brokers and clients.
2. New Product Transfer Process: Introduced a streamlined process allowing brokers to easily switch products at maturity, enhancing customer retention and satisfaction.
3. Expansion of Funding Partnerships: Welcomed BNP Paribas to our financing syndicate, bolstering our financial foundations and supporting our growth strategy.

LendInvest Capital Strategy

LendInvest Capital focuses on complex lending that benefits from an expert, human-centric approach. Our strategy is to draw on our deep industry expertise and in-house real estate finance knowledge to match institutional and individual investors with secure, income-producing UK property finance assets.

1. Diverse Funding Lines: We utilise a range of funding sources, including institutional investors, funds, syndications, and joint ventures. This diversity ensures a resilient and sustainable lending ecosystem, enabling us to provide bespoke solutions that meet the evolving needs of our clients.

2. Product Innovation: We continuously innovate to address market dynamics and customer requirements. Our product offerings include Development Finance, Structured Property Finance, and Residential Investment Portfolio Loans, tailored to meet the needs of property developers, investors, and other stakeholders.

3. Strategic Partnerships: Our strong relationships with global financial institutions support our growth and expansion. This year, we secured a new £500 million Separate Account mandate and revamped our partnership with National Australia Bank, enhancing our ability to fund short-term mortgages and adapt to market changes.

Key Funding Lines:

- Luxembourg Funds: Offering access to secured credit funds.
- Self-Select Platform: Providing flexible loan syndication and co-investment opportunities through Alternative Investment Fund structures.
- Co-Investors: Collaborating with third-party lenders to expand our lending footprint.

KEY PERFORMANCE INDICATORS

Platform Assets Under Management (AuM)

Definition:

Platform Assets Under Management (AuM) represents the total loan balance we have provided to our customers, encompassing both the LendInvest Mortgages and Capital divisions. This balance reflects the outstanding amount that has not been repaid by a diverse clientele, including homeowners, property investors, SME developers, and landlords.

Revenue from our AuM is generated through fee and interest income. Fees associated with the origination process, such as product, application, valuation, and legal fees, are charged to the customer. Additional fees, including servicing, asset management, and performance fees, are charged to our investors and funding partners. For intermediated loans, expenses such as procuration fees are paid to brokers, and these costs can vary by product.

AuM can be held either on the Group's balance sheet or off balance sheet. On-balance sheet AuM generates interest income, partially offset by funding costs, including interest and hedging expenses. Strategically, we aim to grow the proportion of off-balance sheet AuM, where assets are managed on behalf of investors, generating recurring fee income without associated liquidity and credit risk.

Platform Funds Under Management (FuM)

Definition:

Platform Funds Under Management (FuM) is the total funding available for lending from our investors and funding partners. This includes both the funds already utilised against our Platform AuM and the funding that is either drawn but unutilised or committed but not yet drawn. FuM excludes any pipeline capital or ongoing fundraising projects.

We raise funding from a diverse array of financial institutions, institutional investors, and individuals. Our funding partners, including BNP Paribas, HSBC, Barclays, National Australia Bank, and Lloyds, primarily support our LendInvest Mortgages products via the Group's balance sheet. Additionally, we manage third party accounts on behalf of JP Morgan, Chetwood Financial, and other institutional investors, and serve as the servicer and mortgage originator for various securitisation programmes. In the LendInvest Capital division, we raise capital through funds, separate accounts, syndications, and strategic partnerships.

The funding provided through these investment solutions is used to originate larger and more complex property finance opportunities. The difference between FuM and AuM indicates the remaining lending capacity before the need to raise additional funds or capital for lending.

How we measure value for our shareholders

Net Operating Income (NOI)

Definition:

Net Operating Income (NOI) aggregates all revenue from fees and interest income, subtracting the total interest and fee expenses associated with our AuM and FuM.

While NOI typically grows in line with AuM, certain capital markets transactions can impact this. For instance, disposing of residual economic interests in a securitisation accelerates the recognition of revenue and costs, which would otherwise be spread over several years. This approach optimises our balance sheet, enabling the business to extract more value from its capital and release further liquidity.

Adjusted EBITDA

Definition:

Earnings before Interest, Tax, Depreciation, and Amortisation (EBITDA) is a key measure of underlying profitability. We use an Adjusted EBITDA figure to exclude non-cash income or expenses. This KPI is important as it supports s our cash flow, supporting reinvestment opportunities or potential distributions. Our Earnings line, which includes Net Operating Income, already accounts for directly attributable financing and funding costs against the AuM and FuM.

Profit Before Tax (PBT)

Definition:

Profit Before Tax (PBT) represents the Group's profits before the deduction of corporation tax, which is the net of NOI and total operating expenses. In a loss-making year, we may benefit from tax relief.

Diluted Earnings Per Share (EPS)

Definition:

Diluted Earnings Per Share (EPS) measures our Profit After Tax (PAT) earnings per share, considering all issued share capital plus outstanding options and equity grants across the Group's share plans. This metric assumes the conversion of all outstanding equity, providing a comprehensive view of shareholder value.

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 2024 and of the Group’s loss 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 2024 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 material accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

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

Independence

We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors’ use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors’ assessment of the Group and the Parent Company’s ability to continue to adopt the going concern basis of accounting included:

- reviewing minutes of meetings of those charged with governance and correspondence with regulators, such as the Financial Conduct Authority, for any factors which could be of higher risk in relation to going concern;
- challenging the appropriateness of the Directors’ assumptions and judgements made in their base forecast and stress-tested forecast. In doing so we agreed key assumptions such as forecast growth to historic actuals and relevant data and considered the historical accuracy of the Directors’ forecasts by comparing them to actual results;

- enquiring with the Directors to determine whether there were any breaches of borrowing covenants within the year or subsequent to year end and the ability for the Group to manage any potential breaches;
- performing a review of compliance with borrowing covenants which comprised obtaining and reviewing covenant compliance statements to verify that no covenant breaches have occurred which may trigger penalties or repayment of borrowings ahead of the maturity dates;
- obtaining and assessing the Directors plans in respect of funding lines which are approaching maturity within the next 12 months by considering the Group's past experience of extending the maturity of facilities, their discussions with new providers of funding and experience of portfolio sales; and
- inspecting the latest post year end management accounts and reviewing minutes of Board meetings to determine if there were any significant matters which could affect the going concern of the Group and Parent Company.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

Coverage	*100% (2023: 100%) of Group profit before tax* *100% (2023: 100%) of Group revenue* *100% (2023: 100%) of Group total assets*		
Key audit matters (KAM)		2024	2023
	Revenue recognition – Behavioural life within the Effective Interest Rate Model*	✓	✓
	Loss/gain on derecognition of financial assets*	✓	✓
	Determination of expected credit loss (ECL)	✓	✓
	Valuation techniques of loans and advances	✓	✓

	** In the current year, we have split the Fraud in Revenue recognition Key Audit Matter to disclose the Interest Income under the effective interest rate method and loss/gains on derecognition of financial assets as two Key Audit Matters.*
Materiality	*Group financial statements as a whole* £836,000 (2023: £715,000) based on 1% of Revenue (2023: 5% Profit Before Tax).

An overview of the scope of our audit

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

The Group is made up of the Parent Company, its wholly owned subsidiaries and entities it consolidates due to its assessed control. We identified twenty-two components (2023 : 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. The location of the significant components are all in the United Kingdom.

In addition, there were six Group components (2023 : 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**
Revenue recognition – Behavioural lives within the Effective Interest Rate Model The Group's accounting policies are disclosed in Note 1.6, and critical accounting estimates and judgements are disclosed in Note 1.22.	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,	We tested the operating effectiveness of management's control over the estimates and assumptions including behavioural lives of loan customers, that are used to calculate the EIR adjustments. We assessed and challenged the appropriateness of key assumptions around the behavioural lives within the EIR model used by management by considering the historical experience of loan behavioural lives based on

Key audit matter		How the scope of our audit addressed the key audit matter
The interest income calculated using the effective interest rate method is included in Total interest and similar income as disclosed in note 6.	bias and misstatement. 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. For these reasons, we determined Revenue recognition – Behavioural lives within the Effective Interest Rate (EIR) Model to be a Key Audit Matter to be communicated in our report.	customer behaviour , and also performed the following sensitivity analysis: 1. Re-assessed the EIR adjustment of prior year portfolio using the new EIR Model developed during the year. 2. Flexed the behavioural life of the loan to the weighted average post reversion period. We assessed whether management has appropriately segmented the loan book. On a sample basis, we reviewed the product types included within each loan segment and checked if these are within the respective behavioural life based on our knowledge of the business, and we challenged any exception noted by assessing the vintage and fixed rate term of the loan. Using data analytics we have recalculated the behavioural life curve based on the historic performance of the loan book and approved assumption by management. **Key Observations:** We determine the judgement applied by management to be reasonable.
Loss/gain on de-recognition of financial assets The Group's accounting policies are disclosed in Note 1.6 The net loss on de-recognition of financial assets is £0.9m (2023: gain of £4.9m) as disclosed in Note 9.	Loans are de-recognised by the Group or Company, by way of 'one-off transactions' whereby a loan portfolio is sold to a third party, or a 'normal' transfer off-balance sheet, which constitutes of individual loans, in the course of standard	For the one-off transactions, we have reviewed the Regulatory News Service ('RNS') announcements and the minutes of meetings held by the ALCO ("Asset and Liability Committee") to identify any additional transactions which relate to de-recognition of financial assets in order to assess completeness of transactions. We have obtained and reviewed the schedule of recognised fees and performed a recalculation of the amount for mathematical accuracy. We have obtained a list of all financial assets derecognised during the year and assessed the validity of the de-recognition of these assets, in line with

Key audit matter		How the scope of our audit addressed the key audit matter
	business operations. These transactions have led to gains or losses either through settlement of the transaction (outright sale of the loan) or through triggering a loss of control of an entity that holds the loans which results in the crystallisation of fee income and expense in respect of the de-recognised securitised loan portfolios. These transactions are complex and have individually resulted in material gains and/or losses which is subject to a risk of material misstatement due to error. For these reasons, we determined derecognition of financial assets to be a Key Audit Matter to be communicated in our report.	the supporting contract. We have assessed the application of loss of control in accordance with IFRS 10, and the assessment of de-recognition of loans under IFRS 9. For the portfolios de-recognised and the corresponding fees crystallised during the year, we have obtained a breakdown of the fees recognised from deferred income and checked that these were crystallised in full, to the income statement. For the samples selected, we have assessed all key inputs and journal entries, which support the calculation of the loss/gain on de-recognition of financial assets, with reference to relevant supporting documentation. For all portfolios derecognised, we assessed the deferred income and expenses schedule, and checked that no transaction post crystallisation was recorded. We have assessed managements technical paper on the accounting for the de-recognition of financial assets and checked if this is in accordance with the requirements of the applicable standard. **Key Observations:** Based on our audit work performed and the evidence obtained, we have not identified any indicators that suggests that the derecognition of financial assets were not calculated and accounted for appropriately.

Key audit matter		How the scope of our audit addressed the key audit matter
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 18 the ECL Provision at year-end is £8.6m (2023: £9.1m).	Commensurate with the activities of the Group, the total expected credit loss provision is a material balance subject to management judgement and estimation. We have assessed the elements of the ECL calculation which will significantly impact the determination of the ECL as follows: **Accuracy of forward-looking information** IFRS 9 requires the Group to measure the expected credit loss (ECL) on a forward-looking basis, incorporating future macro-economic variables reflecting a range of future conditions. The incorporation of such forward-looking macroeconomic inputs and weighting of the scenarios is considered a significant risk across all three portfolios, especially in the	**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 considered its appropriateness to the current lending portfolio. We have assessed the reasonability of the economic scenarios used and the weighting applied by considering the number of scenarios selected based on management's support. We have tested the completeness of the data used for management overlays and assessed if other overlays are required, based on our experience. We have tested the arithmetical accuracy of the overlays. We have performed sensitivity analysis on the macro-economic variables and assessed the severity of changes in the macro-economic variables to the overall Expected Credit Loss. We also benchmarked the Macro-economic variables applied in the models to independent third party industry data **Carrying value (loss given default) of individually assessed Stage 3 (credit impaired) loans.** We have selected a sample of individual assessment cases as at 31 March 2024. 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

Key audit matter		How the scope of our audit addressed the key audit matter
	continued downturn of the current economic environment. **Carrying value (loss given default) of individually assessed Stage 3 (credit impaired) loans** The carrying value of loans and advances to customers may be materially misstated if individual impairments are not appropriately identified and estimated. These estimates involve complex recoverability scenarios which involve multiple differing recovery options where the timing and quantum of recovery's are subject to significant management judgments and estimates and the probability of scenarios weighting as	engaging internal experts as required in support of our assessment. We have assessed the accuracy and validity of data that feeds into the individual assessment cases as well as the progress on the preferred recovery scenario being pursued to supporting documentation. Based on supporting evidence assessed and discussions with the credit team, we evaluated and challenged the judgements applied in the individually assessed Stage 3 loan assessments. This included assessment of the recovery strategies, recovery timelines, and the scenario weighting applied in the individual assessments. **Key observations:** Based on our audit work performed, we consider the estimates and judgements made by management in the calculation of the impairment provision for loans and advances to be reasonable, and in line with the requirements of IFRS 9.

Key audit matter		How the scope of our audit addressed the key audit matter
	recovery cashflows can differ materially between individual scenarios.	
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 £0.3m (2023: -£3.6m).	The Group's business model requires the Group to measure the majority of the loan book at Fair value through Other Comprehensive Income which requires modelling to determine the fair value adjustment to be applied to Loans and Advances. The measurement of the loan book at fair value requires modelling which is subject to material management judgments and estimates in the determination of the discount rate used to discount future cashflows. The Group's models are materially sensitive to small changes in the discount rate assumption, particularly in the 'Buy-to-let' portfolio and	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, contractual cashflows and capital repayments. We also reviewed the calculations of the models to ensure that these are in line with IFRS 9. • assessed the models to verify whether the fair values determined by management sit within our assessed acceptable reasonable range. We recalculated the computations of the discount rates independently verifying rates offered by competitors used in benchmarking calculation. We have reviewed and benchmarked the discount rates to external data sources where appropriate. **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.

Key audit matter		How the scope of our audit addressed the key audit matter
	therefore this area is considered a significant risk.	

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**	
	2024 £	2023 £	2024 £	2023 £
Materiality	836,000	715,000	545,000	419,000
Basis for determining materiality	1% of Revenue	5% of profit before tax	1.5% of Revenue	6.5% of profit before tax
Rationale for the benchmark applied	Profit before tax is no longer considered an appropriate benchmark as the Group reported a loss in the period. Revenue is therefore deemed the next best appropriate benchmark as it is a relevant measure of	As this is a listed entity, profit before tax was a significant metric and influential to the investor group. Therefore, profit before tax was considered to be the most appropriate benchmark.	Profit before tax is no longer considered an appropriate benchmark as the Group reported a loss in the period. Revenue is therefore deemed the next best appropriate benchmark as it is a relevant measure of performance	As this is a listed entity, profit before tax was a significant metric and influential to the investor group. Therefore, profit before tax was considered to be the most appropriate benchmark.

	performance for the key stakeholders.		for the key stakeholders.	
Performance materiality	627,000	536,000	408,000	314,000
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 £1 to £545,000 (2023: £2 to £564,000) based on allocating materiality using relevant benchmarks . In the audit of each component, we further applied performance materiality levels of 75% (2023: 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 £41,000 (2023:£21,000) according to the Group Materiality. We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report and accounts other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

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

Strategic report and Directors' report	In our opinion, based on the work undertaken in the course of the audit: • the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and • the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

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

Responsibilities of Directors

As explained more fully in the 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:

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

Based on our risk assessment, we considered the areas most susceptible to fraud to be revenue recognition, management override of controls and in relation to accounting estimates within the expected credit loss fair value of loans.

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.

Stefan Beyers (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, United Kingdom
22 July 2024

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 2024 £'m	Year ended 31 March 2023 £'m
Interest income calculated using the effective interest rate	6	66.5	68.1
Other interest and similar income	6	(4.0)	5.1
Interest expense and similar charges	7	(54.0)	(34.8)
Net interest income		8.5	38.4
Fee income	8	19.5	13.5
Fee expenses	8	(3.6)	(2.3)
Net fee income		15.9	11.2
Net gains on derecognition of financial assets	9	(1.0)	4.9
Net other operating income		0.1	0.2
Net operating income		23.5	54.7
Administrative expenses	10	(42.4)	(34.5)
Impairment losses on financial assets	18	(8.4)	(5.9)
Total operating expenses		(50.8)	(40.4)
(Loss)/profit before tax		(27.3)	14.3
Income tax credit/(charge)	13	7.2	(2.9)
(Loss)/profit after taxation		(20.1)	11.4
Earnings per share for profit attributable to the ordinary equity holders of the Group:			
Basic earnings/loss per share (pence/share)	34	(14.5)	8.3
Diluted earnings per share (pence/share)	34	(14.5)	8.0

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

Consolidated statement of other comprehensive income
For the year ended 31 March 2024

	Note	Year ended 31 March 2024 £'m	Year ended 31 March 2023 £'m
(Loss)/profit after taxation		(20.1)	11.4
Other comprehensive income/(loss):			
Items reclassified to profit or loss at residual sale due to de-recognition			
Cash flow hedge adjustment through other comprehensive income	23	(21.4)	(4.8)
Items that will or may be reclassified to profit or loss			
Fair value gain/(loss) on loans and advances measured at fair value through other comprehensive income	23	30.5	(35.0)
Deferred tax (charge)/credit on Fair Value movement	13	(7.6)	8.8
Deferred tax credit on Cash Flow Hedge movement	13	5.4	1.2
Other comprehensive income/(loss) for the year		6.9	(29.8)
Total comprehensive (loss) for the year		(13.2)	(18.4)

Consolidated statement of financial position

	Note	As at 31 March 2024 £'m	As at 31 March 2023 £'m
Assets			
Cash and cash equivalents	17	55.7	46.7
Other receivables	16	8.7	6.1
Corporation tax receivable	16	3.2	–
Loans and advances	18	477.0	1,122.9
Fair value adjustment for portfolio hedged risk asset	25	–	0.1
Investment securities	19	41.1	23.9
Property, plant and equipment	14	1.3	2.2
Net investment in sublease	2	0.6	1.0
Intangible fixed assets	15	10.7	10.5
Investment in joint venture	28	–	0.2
Investment in third parties	29	–	2.0
Deferred taxation	13	3.3	1.2
Derivative financial asset	26	–	46.0
Total assets		601.6	1,262.8
Liabilities			
Other payables	20	(23.4)	(23.7)
Interest bearing liabilities	21	(514.6)	(1,159.3)
Lease liabilities	2	(2.3)	(3.3)
Derivative financial liability	26	(2.0)	–
Total liabilities		(542.3)	(1,186.3)
Net assets		59.3	76.5

	Note	As at 31 March 2024 £'m	As at 31 March 2023 £'m
Equity			
Share capital	22	0.1	0.1
Share premium	22	55.2	55.2
Own share reserve		(0.1)	(0.6)
Employee share reserve		3.8	3.3
Fair value reserve	23	6.4	(16.5)
Cash flow hedge reserve	23	–	16.1
Retained earnings/(losses)		(6.1)	18.9
Total equity		59.3	76.5

The financial statements of LendInvest plc (registration number 08146929) on pages 65 to 128 were approved and authorised for issue by the Board of Directors on 23 July 2024 and were signed on its behalf by:

Rod Lockhart
Director

Consolidated statement of cash flows

Cash flow from operating activities	Note	Year ended 31 March 2024 £'m	Year ended 31 March 2023 £'m (restated)
(Loss)/profit after taxation		(20.1)	11.4
Adjusted for:			
Depreciation of property, plant and equipment	14	0.2	0.2
Amortisation of intangible assets	15	3.0	1.9
Movement in accrued interest on interest bearing liabilities		(0.4)	1.5
Transfer of share option costs		–	(0.6)
Income tax expense	13	(7.2)	2.9
Derivative, hedge accounting and committed facility fair value (profits)/losses	3.3/3.4	(19.2)	(38.4)
Amortisation of Funding line costs	7	3.7	3.2
Impairment provision		8.4	5.9
Dilapidations provision	2	0.1	–
Depreciation of right-of-use asset	2	0.7	0.6
Interest expense of lease liability	2	0.3	0.5
Share based payment expenses	24	1.3	2.0
Net fee and interest income and cost deferrals		6.0	–
Net gains on derecognition of loans	9	(1.6)	(1.1)
Loss on sale of loan portfolios	9	10.6	–
Gain on disposal of subsidiaries	9	(8.2)	(3.8)
Income from sublease		(0.1)	(0.2)
Change in working capital			
Proceeds from sale of loan portfolios		220.4	–
Movement in loans and advances (New originations net of redemptions)		(189.5)	(163.3)
Derivative settlements		36.2	26.1
Swap initial exchange		(11.5)	(18.2)
Increase in trade and other receivables	16	(8.9)	(0.8)
Increase/(decrease) in trade and other payables	20	5.5	(20.0)
Income taxes paid		(1.1)	(2.5)
Cash (used in)/generated from operating activities		28.6	(192.7)

Cash flow from operating activities	Note	Year ended 31 March 2024 £'m	Year ended 31 March 2023 £'m (restated)
Cash flow (used in)/generated from investing activities			
Proceeds received from disposal of subsidiaries (sale of residuals notes) less cash and cash equivalents disposed off	9	(8.8)	(3.2)
Purchase of property, plant and equipment	14	–	(0.2)
Additions to intangibles (capitalised development costs)	15	(3.2)	(6.3)
Investment in securitisation vehicles		(20.5)	(13.2)
Proceeds from disposal of investment securities		15.4	–
Increase in investment in joint ventures		–	(0.2)
Increase in investment in third parties		–	(2.0)
Income from sublease		0.1	0.2
Net cash used in investing activities		(16.9)	(24.9)
Cash flow from financing activities			
Repayments of funding obtained for risk retention notes		(15.0)	(3.5)
Funding received for risk retention notes		19.9	13.0
Repayment of funder liabilities (excluding risk retention funding)		(743.1)	(511.1)
Funding received from Institutional lenders (excluding risk retention funding)		362.4	606.6
Proceeds from external investors for securitisation of portfolio of loans		394.5	261.2
Redemption of securitisation facilities		–	(188.1)
Proceeds from the issuance of retail bonds		9.7	9.3
Repayment of retail bonds		(23.3)	(28.1)
Cost of bond issuance		(0.8)	(0.5)
Payment of principal elements of finance leases	2	(0.7)	(0.9)
Payment of Interest expense of finance leases	2	(0.3)	(0.5)
Payment of funding line costs		(1.6)	(3.5)
Dividends paid		(4.4)	(7.8)
Net cash generated from/(used in) financing activities		(2.7)	146.1
Net increase/(decrease) in cash and cash equivalents		9.0	(71.5)
Cash and cash equivalents at beginning of the period	17	46.7	118.2
Cash and cash equivalents at end of the period	17	55.7	46.7

Interest received was £60.8 million (2023: £58.5 million) and interest paid was £53.4 million (2023: £47.4 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/ (losses) £'m	Total £'m
Balance as at 31 March 2022		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)	–	–	(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
Profit after taxation		–	–	-	–	–	–	(20.1)	(20.1)
Fair value adjustments on loan and advances through OCI		–	–	–	–	22.9	–	–	22.9
Employee share scheme tax		–	–	–	–	–	–	(0.8)	(0.8)
Cash flow hedge recycled to the P&L		–	–	–	–	–	(16.1)	–	(16.1)
Shares issued from own share reserve		–	–	0.5	–	–	–	(0.5)	–
Transfer of share option costs		–	–	–	(0.8)	–	–	0.8	–
Dividends paid		–	–	–	–	–	–	(4.4)	(4.4)
Employee share options schemes	25	–	–	–	1.3	–	–	–	1.3
Balance as at 31 March 2024		0.1	55.2	(0.1)	3.8	6.4	–	(6.1)	59.3

Notes to the financial statements

1. Basis of preparation and material accounting policies

1.1 Going concern

The Group's business activities together with the factors likely to affect its future development and position are set out in the Strategic report. The Directors also considered the impact of the funding lines maturing in the next 12 months from the date of approval of the financial statements. In line with the normal operations of the Group, there are a number of facilities which mature during this period.

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

The Directors do not consider that this creates a material uncertainty in the going concern assessment of the Group. Directors have a reasonable expectation that the Group will have adequate resources to continue to operate for a period of at least 12 months from the signing of these accounts and therefore it is on this basis that the Directors have continued to prepare the accounts on a going concern basis. More information on the Directors' assessment of going concern is set out in the Directors' report.

A future securitisation of £300m is planned for Nov/Dec 24 when the book reaches an optimal level to release the mezzanine and equity positions held by Retail Bonds (c.£17m) and another third party financing provider (c.£7m).

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 53. 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.

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 1.20. 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 pounds sterling ('£') and its financial statements are presented in pounds sterling, which is 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

New standards, interpretations and amendments adopted from 1 January 2023

The following amendments are effective for the period beginning 1 January 2023:

- IFRS 17 Insurance Contracts;
- Disclosure of Accounting Policies (Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements);
- Definition of Accounting Estimates (Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors);
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction(Amendments to IAS 12 Income Taxes);
- International Tax Reform – Pillar Two Model Rules (Amendment to IAS 12 Income Taxes) (effective immediately upon the issue of the amendments and retrospectively);

Notes to the financial statements continued

1. Basis of preparation and material accounting policies continued

1.3 Basis of preparation continued

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

Disclosure of Accounting Policies (Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements);

The IASB issued Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) in February 2021, which are mandatorily effective from annual reporting periods beginning on or after 1 January 2023. The amendments now require entities to disclose 'material accounting policy information' rather than 'significant accounting policies'.

The Group has carefully assessed the impact which accounting policy information is material and requires disclosure. The material accounting policies in Section 1 are updated to consider the above amendment.

The Group have carefully assessed each of the new pronouncement above. Except as stated above, these amendments had no effect on the consolidated financial statements of the Group.

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 January 2024 and are not expected to have a material impact on the Group:

- Liability in a Sale and Leaseback (Amendments to IFRS 16 Leases);
- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1 Presentation of Financial Statements);
- Non-Current Liabilities with Covenants (Amendments to IAS 1 Presentation of Financial Statements);
- Supplier Finance Arrangements (Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures); and
- Lack of Exchangeability (Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates).

1.4 Cash and cash equivalents

Cash and cash equivalents comprise of 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.

1.5 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.

1.6 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.

Notes to the financial statements continued

1. Basis of preparation and material accounting policies continued

1.6 Revenue recognition continued

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

Revenue comprises the fair value of the consideration received or receivable in the ordinary course of the Group's activities.

All revenue recorded in the financial statements is sourced from transactions relating to property loans. Fees on these transactions are calculated based on the above revenue recognition policy.

1.7 Interest expense and similar charges

Interest expense and similar charges are comprising and recognised as follows:

- Interest expenses incurred on interest bearing liabilities. These are recognised on an accrual's basis.
- Non-utilisation fees are incurred on any interest-bearing liabilities that are unutilised. These are recognised on an accrual's 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.

1.8 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 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.

1.9 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. Basis of preparation and material accounting policies continued

1.10 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.

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

1.11 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.

1.12 Administrative expenses

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

1.13 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.

1.14 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 18.

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 assets that result on origination of the loans are initially recognised at fair value, adjusting for the recorded fair value to date.

Notes to the financial statements continued

1. Basis of preparation and material accounting policies continued

1.14 Financial instruments continued

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 25.

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.

Notes to the financial statements continued

1. Basis of preparation and material accounting policies continued

1.14 Financial instruments continued

De-recognition

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

1.15 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.

1.16 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.

1.17 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.

1.18 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.

1.19 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.

Notes to the financial statements continued

1. Basis of preparation and material accounting policies continued

1.20 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 control, exposure or rights to variable returns, and the ability to affect those returns through its control over the undertaking.

The Group has a number of associated entities that it considers for consolidation under IFRS 10. Control is reassessed and judgement is used whenever facts and circumstances indicate that there may be a change in these elements of control.

Significant increase in credit risk

The determination of how significant an increase in lifetime PD should be to trigger a move between credit risk stages for impairment requires significant judgement. Management have adopted a test-based approach to derive objective thresholds such that credit deterioration is recognised at the appropriate point. See note 18 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, LGDs, recovery costs and cure probabilities driven from the ECL models.

Estimates and assumptions

Fair value measurement

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

Expected Credit Loss Calculation

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

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

For the period ended 31 March 2024 management considered the third party weightings to adequately represent the macroeconomic environment across all products and have therefore applied 40%/40%/20% to the central, downside and upside scenarios respectively.

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.

Notes to the financial statements continued

1. Basis of preparation and material accounting policies continued

1.20 Critical accounting estimates and judgements continued

Sensitivity analysis on ECL models

Sensitivity analysis has been completed on a number of different scenarios to better assess the impact of changing variables on the ECL calculation in the current environment:

- A 100% downside was applied to the models. This would increase the ECL by £1.7 million.
- A 100% upside was applied to all the models. This would decrease the ECL by £2.2 million.
- A 10% increase in the forced sale discount. This would increase the ECL by £1.2 million.
- A 20% increase in the unemployment rate (peak of 5.6%). This would increase the ECL by £0.1 million.
- A 20% decrease in UK house price inflation would increase the ECL by £1.0 million.

Valuation of share-based payments

Estimating the fair value for share-based payment transactions requires determination of the most appropriate valuation method, which depends on the terms and conditions of the award. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and the dividend yield and making assumptions about them. The Group uses a Black-Scholes option pricing model for the employee share schemes. The assumptions for estimating the fair value for share-based payment transactions are disclosed in note 25.

Effective interest rate revenue recognition

Interest income calculated using the effective interest rate shown in the Consolidated statement of profit and loss. 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.

1.21 Non-controlling interests

The group recognises non-controlling interests in an acquired entity either at fair value or at the noncontrolling interest's proportionate share of the acquired entity's net identifiable assets. This decision is made on an acquisition-by-acquisition basis. For the non-controlling interests in Group, the group elected to recognise the non-controlling interests at fair value. The subsequent accounting will be done based on principles of IFRS 10

1.22 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.

1.23 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.

1.24 Prior period adjustments

The Group has restated its Consolidated statement of cash flow due to the following prior period adjustments:

i) To reflect the correct movement in Trade and Other payables and Interest bearing liabilities. In the year ended 31 March 2023, the Group noted and corrected the historical error by reclassifying accrued interest expense on interest-bearing liabilities previously recognised as part of trade and other payables to interest- bearing liabilities. This was updated in the Consolidated Statement of Financial position however, the movement in the affected accounts in Consolidated statement of cash flows was incorrectly stated. In the current year, the Group has restated its March 2023 Consolidated Cash Flow Statement to update the correct movement of £2.8m.

Notes to the financial statements continued

1. Basis of preparation and material accounting policies continued

1.24 Prior period adjustments continued

Restated Consolidated statement of cash flows (Extract)

	(Decrease)/ increase in trade and other payables (£m)	Decrease in interest bearing liabilities (£m)	Movement in accrued interest in interest bearing liabilities (£m)
FY2023 (reported)	(24.9)	(20.3)	–
Impact of FY2022 accrued interest reclassification	2.8	(2.8)	–
Deconsolidated balance	2.1	214.7	–
Net impact of gross financing receipts and payments*	–	(366.2)	–
Reclassification of redemption in securitisation facilities	–	176.1	–
Reclassification of movement in accrued interest	–	(1.5)	1.5
FY2023 (restated)	(20.0)	–	1.5

* This is the net impact of prior period adjustments relating to gross financing receipts and payments which is discussed below.

ii) To reflect the correct balance for “Proceeds received on disposal of subsidiaries”. During the year, the Group noted that as per requirements of Section 42 of IAS 7, the proceeds received from disposal of a subsidiary need to be presented net of the cash and cash equivalents disposed as part of the transaction. Historically, this has been disclosed on a Gross basis. The error has been corrected by netting the cash and cash equivalents in Mortimer 2022 and 2020 entities from residual sale consideration on the date of sale. The Group has restated its March 2023 Consolidated Cash Flow Statement to update the correct balance £(3.2)m.

Restated Consolidated statement of cash flows (Extract)

	Cash consideration for sold residuals (£m)	Proceeds from disposal of subsidiaries (sale of cash residuals) less cash and cash equivalents disposed of (£m)	Movement in loans and advances (New originations net of redemptions)* (£m)
FY2023 (Reported)	12.7	–	20.2
Reclassification of cash consideration for sold residuals	(12.7)	12.7	–
Investments in securitisation vehicles (Mortimer 2022)	–		13.2
Deconsolidated balance	–		(212.6)
Reclassification of cash held in Mortimer 2022 and Mortimer 2020	–	(15.9)	15.9
FY2023 (Restated)	–	(3.2)	(163.3)

* As the cash held in Mortimer 2022 and Mortimer 2020 were shown in error in the movement in loans and advances, the adjustment is recorded in that line item in the cash flow statement.

iii) To reflect the funding movement in financing activities on gross basis. During the year, the Group noted that as per requirements of Section 21 of IAS7, major financing activities have been disclosed on a net basis and presented as "Increase/Decrease" in interest bearing liabilities. The error has been corrected by reflecting cash movements for funding received and repaid to our funding partners on a gross basis. It was noted from this error that deconsolidated balances from the disposal of Mortimer 2020-1 plc had been erroneously included in the movement analysis of their respective lines presented in the statement of cash flows. To correctly reflect the gross payments and receipts, deconsolidated balances have now been adjusted from the movement analysis of respective balances.

Notes to the financial statements continued

1. Basis of preparation and material accounting policies continued

1.24 Prior period adjustments continued

Restated Consolidated statement of cash flows (Extract)

	(Decrease)/ increase in interest bearing liabilities (£m)	Repayment of funder liabilities (excluding risk retention funding) (£m)	Funding received from institutional lenders (excluding risk retention notes) (£m)	Repayments of funding obtained for risk retention notes (£m)	Funding received for risk retention notes (£m)	Proceeds to fund securitisation payments (£m)	Proceeds from external investors for securitisation of portfolio of loans (£m)
FY2023 (reported)	(20.3)	–	–	–	–	176.1	–
Impact of gross financing receipts and payments	(366.2)	(335.0)	691.7	(3.5)	13.0	–	–
Impact of FY2022 accrued interest reclassification	(2.8)	–	–	–	–	–	–
Deconsolidation balance	214.7	–	–	–	–	–	–
Reclassification of redemption in securitisation facilities	176.1	–	–	–	–	(176.1)	–
Reclassification of movement in accrued interest	(1.5)	–	–	–	–	–	–
Reclassification of redemption in securitisation vehicles	–	(176.1)	176.1	–	–	–	–
Proceeds from external investors for securitisation of portfolio of loans	–	–	(261.2)	–	–	–	261.2
FY2023 (restated)	–	(511.1)	606.6	(3.5)	13.0	–	261.2

Investments in securitisation vehicles which was erroneously presented as part of movement in loans and advances, under operating activities has also now been presented separately in line with Section 21 of IAS7.

	Investment in securitisation vehicles (£m)	Movement in loans and advances (New originations net of redemptions) (£m)
FY2023 (Reported)	–	20.2
Investments in securitisation vehicles (Mortimer 2022)	(13.2)	13.2
Deconsolidated balance	–	(212.6)
Reclassification of cash held in Mortimer 2022 and Mortimer 2020	–	15.9
FY2023 (Restated)	(13.2)	(163.3)

(a) Total cashflows on operating activities has decreased from net inflow of £1.3m to net outflows of £192.7 m because of the three PPAs.

(b) Total cashflows on investing activities has moved from net outflows of £8.5m to net outflows of £24.9m because of PPAs (ii) and (iii).

(c) Total cashflows on financing activities has increased from net outflows of £64.3m to net inflows of £146.1m because of PPAs (i) and (iii).

These changes do not impact the Consolidated statement of profit and loss, Consolidated statement of financial position, 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.

Notes to the financial statements continued

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.

2. Leases continued

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 sublease a proportion of its property lease.

The sublease is classified as a finance lease with reference to the right-of-use asset from the head lease.

The 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 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 1 April 2023	1.0	1.8	3.3
Depreciation expense	–	(0.7)	–
Interest expense	–	–	0.3
Payments – Interest	–	–	(0.3)
Payments – Principal	(0.4)	–	(1.1)
Dilapidations provision	–	–	0.1
As at 31 March 2024	0.6	1.1	2.3

Notes to the financial statements continued

2. Leases continued

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

Year ended 31 March 2024	Administrative expenses £'m	Interest expense £'m	Total £'m
Depreciation expense of right-of-use asset	0.7	–	0.7
Interest expense on lease liabilities	–	0.3	0.3
Increase in dilapidations provision	0.1	–	0.1
Total recognised in the Consolidated statement of profit and loss	0.8	0.3	1.1

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

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 details the derivative portfolio of the hedge 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 hedged instruments and hedged item due to unexpected changes in hedged item;
- differences in the curves used to value the hedging instrument and 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.

Notes to the financial statements continued

3. Derivatives and hedge accounting continued

3.1 Hedge accounting continued

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 cost 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 Consolidated 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 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.

Notes to the financial statements continued

3. Derivatives and hedge accounting continued

3.2 Gains or Losses from derivatives and hedge accounting continued

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.

Gains/(losses) from derivatives hedge accounting	Year ended 31 March 2024 £'m	Year ended 31 March 2023 £'m
(Losses)/Gains from fair value hedge accounting[1]	(2.4)	(0.7)
Fair value gains from other derivatives[2]	(1.6)	5.8
Total Gains included in other interest and similar income	(4.0)	5.1

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 2024

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	0.4	(0.3)	0.1

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 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)

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 2024

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	–	–	–	–

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

1 Change in fair value used in determining hedge ineffectiveness.

On 14 April 2023, the Group sold its non-risk retention residual economic interest in the Mortimer BTL 2021-1 PLC securitisation for a cash consideration of £8.66m. The sale of the certificate (residual notes) resulted in a derecognition event as substantially all the risks, rewards, and control of the vehicle passed to the investor. As the control of the vehicle (Mortimer BTL 2021-1) had been transferred, the vehicle has been deconsolidated from the Group's results. This also resulted in the recycling of a loss of £21.5m from the cash flow hedge reserves to the line item 'Net gain on derecognition of financial assets' in the profit and loss.

Notes to the financial statements continued

3. Derivatives and hedge accounting continued

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 2024			As at 31 March 2023		
	Notional Amount £'m	Fair value – Assets £'m	Fair value – Liabilities £'m	Notional Amount £'m	Fair value – Assets £'m	Fair value – Liabilities £'m
Macro fair value hedge:						
SONIA indexed interest rate swaps	39.9	–	(0.9)	527.8	13.9	–
Cash flow hedge:						
SONIA indexed interest rate swaps	–	–	–	236.3	21.8	–
Not subject to hedge accounting:						
SONIA indexed interest rate swaps[1]	108.4	–	(1.1)	15.0	10.3	–
Total	148.3		(2.0)	779.1	46.0	–

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 2024	Less than one year £'m	Between one and five years £'m	Over five years £m	Total £'m
Macro fair value hedge:				
SONIA indexed interest rate swaps	8.7	31.0	0.2	39.9
Cash flow hedge:				
SONIA indexed interest rate swaps	–	–	–	–
Other:				
SONIA indexed interest rate swaps	47.2	58.9	2.4	108.5
Total	55.9	89.9	2.6	148.4

As at 31 March 2023	Less than one year £'m	Between one and five years £'m	Over five years £m	Total £'m
Macro fair value hedge:				
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	465.4	149.7	779.1

Notes to the financial statements continued

3. Derivatives and hedge accounting continued

3.7 Carrying amount of hedged items

	As at 31 March 2024		As at 31 March 2023	
	Hedged item £'m	Fair value change of hedged risk £'m	Hedged item £'m	Fair value change of hedged risk £'m
Macro fair value hedge:				
BTL Mortgage Loans	39.9	0.3	501.3	14.6
Cash flow hedge:				
Interest bearing securities (loan notes)	–	–	236.3	21.8
Total	39.9	0.3	737.6	36.4

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 costs. 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 business's competitiveness and flexibility.

Risk factors

The Group has exposure to the following risks from its use of financial instruments: credit risk, liquidity risk, interest rate risk. Further details regarding these policies are set out below:

(i) Credit risk management

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's 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 2024 £'m	31 March 2023 £'m
Loans and advances	477.0	1,122.9
Investment securities	41.1	23.9
Derivative financial asset	–	46.0
Other receivables	6.4	4.2
Cash and cash equivalents	55.7	46.7
	580.2	1,243.7

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. Additionally, credit enhancement measures within the securitisation structure reduce the Group's exposure to credit losses.

Notes to the financial statements continued

4. Financial risk management continued

Risk factors continued

(i) Credit risk management continued

Trade and other receivables principally comprise of amounts due from third parties. 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 2024 and 31 March 2023 approximates the carrying value. Further details regarding cash and cash equivalents can be found in note 17. 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. Loans are capped at 80% of the open market value of the property against which security is held, and minimum loan period interest is retained on completion for some short-term loans.

(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 overleaf analyse the Group's contractual undiscounted cash flows of its financial assets and liabilities:

As at 31 March 2024	Carrying amount £'m	Gross nominal inflow/ (outflow) £'m	Amount due in less than 6 months £'m	Amount due 6–12 months £'m	Amount due between one and five years £'m	Amount due after five years £'m
Financial assets						
Cash and cash equivalents	55.7	55.7	55.7	–	–	–
Other receivables	6.4	6.4	6.4	–	–	–
Loans and advances	477.0	739.3	218.5	97.8	48.7	374.3
Investment Securities	41.1	46.8	1.3	1.3	44.2	–
	580.2	848.2	281.9	99.1	92.9	374.3
Financial liabilities						
Other payables	(23.4)	(23.4)	(23.4)	–	–	–
Interest bearing liabilities	(514.6)	(586.6)	(63.4)	(357.5)	(96.6)	(69.1)
Derivative financial liability	(2.0)	(2.0)	(0.3)	(0.3)	(1.4)	–
Lease liability	(2.3)	(2.6)	(0.7)	(0.7)	(1.2)	–
	(542.3)	(614.6)	(87.8)	(358.5)	(99.2)	(69.1)

As at 31 March 2023	Carrying amount £'m	Gross nominal inflow/ (outflow) £'m	Amount due in less than 6 months £'m	Amount due 6–12 months £'m	Amount due between one and five years £'m	Amount due after five years £'m
Financial assets						
Cash and cash equivalents	46.7	46.7	46.7	–	–	–
Trade and other receivables	4.2	4.2	3.0	–	1.2	–
Loans and advances	1,122.9	1,927.1	205.3	164.6	203.9	1,353.3
Derivative financial asset	46.0	46.0	9.1	7.9	26.4	2.6
Investment Securities	23.9	25.6	11.1	0.4	14.1	–
	1,243.7	2,049.6	275.2	172.9	245.6	1,355.9
Financial liabilities						
Trade and other payables	(22.3)	(22.3)	(22.3)	–	–	–
Interest bearing liabilities	(1,159.3)	(1,369.2)	(219.2)	(347.7)	(409.1)	(393.2)
Lease liability	(3.3)	(3.8)	(0.7)	(0.7)	(2.4)	–
	(1,184.9)	(1,395.3)	(242.2)	(348.4)	(411.5)	(393.2)

During the current financial year the Group sold its residual interest in both Mortimer 2021-1 BTL PLC (April 2023) and Mortimer 2023-1 BTL PLC (January 2024).

Notes to the financial statements continued

4. Financial risk management continued

Risk factors continued

(iii) Interest rate risk management

The risk is managed on a continuous basis through the use of interest rate swaps.

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

See note 3 and 26 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 (Restated*)		Equity (net of tax)	
31 March 2024	100 bp increase £'m	100 bp decrease £'m	100 bp increase £'m	100 bp decrease £'m
Interest rate swaps	1.5	(1.5)	–	–
Cash and cash equivalents	0.2	(0.2)	–	–
Loans and advances	0.3	(0.3)	(5.5)	5.8
Investment securities	0.4	(0.4)	–	–
Interest bearing liabilities	(4.3)	4.3	–	–
31 March 2023				
Interest rate swaps	7.8	(7.8)	4.7	(4.9)
Cash and cash equivalents	0.5	(0.5)	–	–
Loans and advances	0.8	(0.8)	(19.0)	20.0
Investment securities	0.3	(0.3)	–	–
Interest bearing liabilities	(10.1)	10.1	–	–

* Prior Year interest rate swap sensitivity numbers have been amended to reflect an updated methodology used in the current year.

(iv) Interest rate sensitivity continued

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 Consolidated 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 25 (d).

(v) Capital management

The Group considers its capital to comprise of its share capital, share premium, retained earnings and the employee share reserve. The Group's objectives when maintaining capital are:

- to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and;
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group sets the amount of capital it requires in proportion to risk. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Group uses external debt to fund its principal activity and sets the amount of debt that it requires in proportion to risk and lending requirements. It should also be noted the Group does not have to comply with any specific regulatory Capital requirements.

Notes to the financial statements continued

5. Segmental analysis

The Group's lending operations are carried out solely in the UK, and effective from 1 April 2023, were carried out solely from the Group's LendInvest Mortgages and Capital Divisions, reflective of the product offerings. The results and net assets of the Group are derived from the provision of property related loans only. The following describes the operations of the two reportable segments for the year ended 31 March 2024:

LendInvest Mortgages

LendInvest Mortgages provides mortgages to both professional BTL landlords and homeowners as well as a range of short-term mortgages.

LendInvest Capital

The LendInvest Capital division provides larger, more structured finance primarily to property developers and larger Bridging loans and houses the Fund and Self-Select Platform.

In prior periods the Group's lending operations were previously carried out alongside the two main lending products: short-term lending and BTL mortgages. Due to the information to restate prior periods not being available and the costs to develop would be excessive, management have made the decision to not restate prior period results in the new reportable segments.

In accordance with the provision of paragraphs 29 and 30 of IFRS 8 Operating Segments, the prior year segmental analysis has not been restated for the new operating segments because the information is not readily available and the cost to develop it would be excessive. The current year has not been presented in the previous segmental format because the information is not readily available and the cost to develop it would be excessive.

5. Segmental analysis continued

Please see below for a segmental analysis of the profit and loss and statement of financial position balances:

Year ended 31 March 2024 Consolidated statement of profit and loss information	Mortgages £'m	Capital £'m	Central £'m	Total £'m
Interest income calculated using the effective interest rate	45.9	20.6	–	66.5
Other interest and similar income	(4.0)	–	–	(4.0)
Interest expense and similar charges	(43.6)	(10.4)	–	(54.0)
Net interest income	(1.7)	10.2	–	8.5
Fee income	10.5	9.0	–	19.5
Fee expenses	(2.6)	(1.0)	–	(3.6)
Net fee income	7.9	8.0	–	15.9
Net gains on derecognition of financial assets	(1.6)	0.6	–	(1.0)
Net other operating income	0.1	–	–	0.1
Net operating income	4.7	18.8	–	23.5
Administrative expenses	(11.6)	(5.1)	(25.7)	(42.4)
Impairment losses on financial assets	(0.8)	(7.6)	–	(8.4)
Total operating expenses	(12.4)	(12.7)	(25.7)	(50.8)
Profit/(loss) before tax	(7.7)	6.1	(25.7)	(27.3)

Notes to the financial statements continued

5. Segmental analysis continued

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/(loss) before tax	12.4	36.2	(34.3)	14.3

As at 31 March 2024 Consolidated statement of financial position information	Mortgages £'m	Capital £'m	Total £'m
Assets			
Loans and advances	346.6	130.4	477.0
Total segment assets	346.6	130.4	477.0
Cash and cash equivalents			55.7
Trade and other receivables			8.7
Corporate tax Receivable			3.2
Property, plant and equipment			1.3
Investment securities			41.1
Net investment in sublease			0.6
Intangible fixed assets			10.7
Deferred taxation			3.3
Total assets			601.6
Liabilities			
Interest bearing liabilities	(201.8)	(312.8)	(514.6)
Total segment liabilities	(201.8)	(312.8)	(514.6)
Derivative financial liabilities			(2.0)
Trade and other payables			(23.4)
Lease liabilities			(2.3)
Total liabilities			(542.3)

Notes to the financial statements continued

5. Segmental analysis continued

As at 31 March 2023 Consolidated statement of financial position information	Short-term lending £'m	Buy-to-Let lending £'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
Trade and other receivables			6.1
Property, plant and equipment			2.2
Investment securities			23.9
Net investment in sublease			1.0
Intangible fixed assets			10.5
Investment in joint venture			0.2
Investment in third parties			2.0
Deferred taxation			1.2
Total assets			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)
Lease liabilities			(3.3)
Total liabilities			(1,186.3)

6. Interest and similar income

	Year ended 31 March 2024 £'m	Year ended 31 March 2023 £'m
Interest income calculated using the effective interest rate method		
On loans and advances to customers	62.8	66.5
On investment securities	2.1	0.6
On cash deposits	1.6	1.0
Total interest income calculated using the effective interest rate method	66.5	68.1
Other interest and similar income		
Gain/(loss) on derivative financial instruments and hedge accounting	(4.0)	5.1
Total other interest and similar income	(4.0)	5.1
Total interest and similar income	62.5	73.2

Revenue is recognised with reference to the accounting policy detailed in note 1.6.

Notes to the financial statements continued

7. Interest expense and similar expense

	Year ended 31 March 2024 £'m	Year ended 31 March 2023 £'m
On amounts due to funding partners	(40.1)	(21.6)
On debt securities in issue	(10.2)	(10.0)
Funding line cost amortisation	(3.7)	(3.2)
Total interest expense and similar charges	(54.0)	(34.8)

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

8. Net fee income

	Year ended 31 March 2024 £'m	Year ended 31 March 2023 £'m
Fee income on loans and advances	3.6	1.9
Fee income on asset management	12.2	8.8
Fee income on origination of loans to third parties	3.7	2.8
Fee income	19.5	13.5
Fee expense on origination of loans to third parties	(2.5)	(1.5)
Fee expense on asset management	(1.1)	(0.8)
Fee expense	(3.6)	(2.3)
Net fee and commission income	15.9	11.2

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 2024 £'m	Year ended 31 March 2023 £'m
Net (losses)/gains on sale of loans and loan portfolios	(9.2)	1.1
Net gains on derecognition of securitised loan portfolios	8.2	3.8
Net gains on derecognition of financial assets	(1.0)	4.9

During the year, Mortimer 2021-1 Limited and Mortimer 2023-1 Limited were deconsolidated when the residual notes were sold and the impact of the deconsolidation is as follows:

a) total consideration received – £13.5m

b) the portion of the cash consideration consisting of cash and cash equivalents – £13.5m

c) the amount of cash and cash equivalents in the subsidiaries which control is lost – £22.4m

d) the amount of the asset and liabilities other than the cash or cash equivalents in the subsidiaries which control is lost:

Loans and Advances – (£639.6m)

Interest Bearing Liabilities – £662.5m

Derivative financial asset – (£25.9m)

Other assets and liabilities – £0.9m

Notes to the financial statements continued

10. Profit from operations

Profit from operations has been stated after charging:

	Year ended 31 March 2024 £'m	Year ended 31 March 2023 £'m
Wages and salaries	20.1	18.0
Depreciation and amortisation	3.2	2.1
Depreciation of right-of-use asset	0.7	0.7
Interest expense – lease liabilities	0.3	0.5
Fees payable to the auditors for the audit of the financial statements	1.4	1.0
Fees payable to the auditors for the audit of the prior year financial statements	0.3	–
Audit-related assurance services	0.1	0.1
Share-based payment charge	1.3	1.9
Rent	0.2	–

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

11. Employee benefit expense

Employee benefit expense (including Directors) comprises:

	Year ended 31 March 2024 £'m	Year ended 31 March 2023 £'m
Wages and salaries	20.1	18.0
Defined contribution pension cost	0.7	0.6
Share-based payment charge	1.3	1.9
Social security contributions and similar taxes	2.4	2.2
	24.5	22.7

During the year, share options and ordinary shares were issued to employees of the Company, see note 24 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 2024 Number	Year ended 31 March 2023 Number
Technology and product	37	60
Operations and administration	129	134
Sales and marketing	32	35
	198	229

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 53.

	Year ended 31 March 2024 £'m	Year ended 31 March 2023 £'m
Salary, short-term benefits and pension	1.2	1.5
Equity-based compensation	–	0.1
	1.2	1.6

The highest paid Director in the year was paid £418,395 (2023: £437,424). Further details on Directors' remuneration are disclosed in the Remuneration Report in the Corporate Governance section of the Annual Report and Accounts on pages 48 to 52.

Notes to the financial statements continued

13. Taxation on (loss)/profit on ordinary activities

	Year ended 31 March 2024 £'m	Year ended 31 March 2023 £'m
Tax expense		
Current tax:		
Current tax on (loss)/profit for the year	–	2.5
Adjustments in respect of prior periods	(2.1)	(0.3)
Foreign taxes	–	0.1
Total current tax (credit)/charge	(2.1)	2.3
Deferred tax:		
Origination and reversal of temporary differences	(4.9)	0.2
Adjustments in respect of prior periods	(0.2)	0.4
Total deferred tax (credit)/charge	(5.1)	0.6
Total tax (credit)/charge	(7.2)	2.9
The tax (credit)/charge on the profit for the year is different to the notional tax charge calculated at the UK corporation tax rate of 25%. The differences are explained below:		
(Loss)/profit before tax	(27.3)	14.2
(Loss)/profit before tax multiplied by the standard rate of corporation tax of 25%	(6.8)	2.7
Tax effects of:		
(Losses)/profits not subject to taxation under securitisation regime	(1.7)	–
Consolidation adjustments not brought into tax	1.0	–
Tax losses not recognised	0.8	–
Tax losses not carried back	1.1	–
Difference in tax rate on carried back losses	0.4	–
Tax difference on employee share schemes exercised	0.3	–
Foreign taxes charged	0.1	0.1
(Over) provision of current tax	(2.1)	(0.3)
(Over)/under provision of deferred tax	(0.3)	0.4
Total tax (credit)/charge	(7.2)	2.9

13. Taxation on (loss)/profit on ordinary activities continued

Deferred taxation

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

	Year ended 31 March 2024 £'m	Year ended 31 March 2023 £'m
Deferred tax assets	5.6	10.8
Deferred tax liabilities	(2.3)	(9.6)
Net deferred tax assets/(liabilities)	3.3	1.2

The movements during the year are analysed as follows:

	Year ended 31 March 2024 £'m	Year ended 31 March 2023 £'m
Net deferred tax assets/(liabilities) at the beginning of the year	1.2	(8.5)
Credit/(charge) to the statement of profit and loss for the year	4.9	(0.2)
(Charge)/credit to other comprehensive income	(2.3)	10.0
Rate change through equity	–	0.2
(Charge)/credit to equity	(0.8)	0.1
Under/(over) provision of deferred tax	0.3	(0.4)
Net deferred tax assets at the end of the year	3.3	1.2

Notes to the financial statements continued

13. Taxation on (loss)/profit on ordinary activities continued

Category of deferred tax

2024	Opening balance £'m	Credit to equity £'m	Credit to the statement of profit and loss Current year £'m	(Charge)/ credit through OCI Current year £'m	Credit to the statement of profit and loss Prior year £'m	Rate change through profit and loss £'m	Rate change through equity £'m	Closing balance £'m
Share and share option schemes	1.4	(0.9)	(0.2)	–	–	–	–	0.3
IFRS 16 transitional adjustment	0.1	–	–	–	–	–	–	0.1
Fair value reserve	5.5	–		(7.6)				(2.1)
Cash flow hedge adjustment	(5.4)	–	–	5.4	–	–	–	–
IFRS 9 ECL Provision	0.1	–	–	–	–	–	–	0.1
Research & Development	(0.6)	–	0.1	–	0.3	–	–	(0.2)
Losses	–	0.1	5.0	–	–	–	–	5.1
Total	1.1	(0.8)	4.9	(2.2)	0.3	–	–	3.3

2023	Opening balance £'m	Credit to equity £'m	Credit to the statement of profit and loss – CY £'m	(Charge)/ credit through OCI – CY £'m	Credit to the statement of profit and loss – PY £'m	Rate change through 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)
IFRS 9 ECL provision	0.1	–	–	–	–	–	–	0.1
Research and development	–	–	(0.2)	–	(0.3)	(0.1)	–	(0.6)
Total	(8.5)	0.1	(0.2)	10	(0.4)	–	0.2	1.2

The Group has gross unrecognised tax losses of £3.3m available for offset against future taxable profits. The total amount of unused losses is £23.6m. Deferred tax Assets recognition is based on management forecasts accounting for the unwinding of deferred tax assets and liabilities.

14. 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 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
Additions	–	–	–	–	–
Disposals	–	–	–	–	–
Balance as at 31 March 2024	0.4	0.1	0.4	5.2	6.1

Notes to the financial statements continued

14. Property, plant and equipment continued

The Group and Company continued

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 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
Charge for the year	0.1	–	0.1	0.7	0.9
Disposals	–	–	–	–	–
Balance as at 31 March 2024	0.3	0.1	0.3	4.1	4.8
Net carrying value as at 31 March 2024	0.1	–	0.1	1.1	1.3
Net carrying value as at 31 March 2023	0.2	–	0.2	1.8	2.2

Lease commitment

Future minimum payments under non-cancellable leases

Premises	Year Ended 31 March 2024 £'m	Year Ended 31 March 2023 £'m
Due within a year	1.4	1.1
Due between one and five years	0.7	2.2
Due later than five years	–	–
	2.1	3.3

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 £204k (2023: £138k). The Group and the Company have no significant contingent liabilities at year end.

15. Intangibles

Cost	Software licences £'m	Internally developed Software £'m	Total £'m
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
Additions	–	3.2	3.2
Balance as at 31 March 2024	0.7	21.5	22.2

Accumulated amortisation and impairment	Software licences £'m	Internally developed Software £'m	Total £'m
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
Charge for the year	–	3.0	3.0
Balance as at 31 March 2024	0.7	10.8	11.5
Net carrying value as at 31 March 2024	–	10.7	10.7
Net carrying value as at 31 March 2023	–	10.5	10.5

Internally developed software development has been capitalised as an intangible asset and is being amortised over 5 years.

Notes to the financial statements continued

16. Other receivables

Due within one year	Year ended 31 March 2024 £'m	Year ended 31 March 2023 £'m
Trade receivables	5.2	0.5
Other receivables:		
– Prepayments and accrued income	2.3	1.9
– Corporate tax receivable	3.2	–
– Other receivables	1.2	2.5
Due after one year		
Rent deposit	–	1.2
	11.9	6.1

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 Group had no trade receivables that are past due, but not impaired.

17. Cash and cash equivalents

	Year ended 31 March 2024 £'m	Year ended 31 March 2023 £'m
Cash at bank	53.2	40.4
Trustees' account	2.5	6.3
	55.7	46.7

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).

18. Loans and advances

	Year ended 31 March 2024 £'m	Year ended 31 March 2023 £'m
Gross loans and advances	477.0	1,168.5
ECL provision	(8.5)	(9.1)
Fair value adjustment[1]	8.5	(36.5)
Loans and advances[2]	477.0	1,122.9

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.

2 Loans and advances are held at FVOCI and amortised cost as per IFRS 9.

ECL provision

Movement in the period	£'m
Under IFRS 9 at 1 April 2023	(9.1)
Additional provisions made during the period[1]	(8.7)
Utilised in the period[2]	9.3
Under IFRS 9 at 31 March 2024	(8.5)

1 The ECL provision of £8.5 million is stated including the expected credit losses incurred on the interest income recognised on stage 3 loans and advances. The net ECL impact on the income statement for the year is £8.4 million (2023: £7.7 million). This includes the £7.0 million (2023: £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 £1.4 million (2023: £1.7 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 £7.4 million (2023: £4.4 million).

Notes to the financial statements continued

18. Loans and advances continued

ECL provision continued

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: £4.4million) 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).

Analysis of loans and advances by stage

Year ended 31 March 2024	Stage 1 £'m	Stage 2 £'m	Stage 3 £'m	Total £'m
Gross loans and advances	305.2	89.1	82.7	477.0
ECL provision	(0.1)	(0.5)	(7.9)	(8.5)
Fair value adjustment	6.9	1.5	0.1	8.5
Loans and advances	312.0	90.1	74.9	477.0

The maximum LTV on stage 1 loans is 86%. The maximum LTV on stage 2 loans is 242%. The maximum LTV on stage 3 loans is 195%. The average LTV on stage 1 loans is 67%. The average LTV on stage 2 loans is 70%. The average LTV on stage 3 loans is 67% and the total value of collateral (capped at the gross loan value) held on stage 3 loans is £76.8 million.

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 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.

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. An asset is deemed to have increase 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, Bridging and Residential.
  - LTGDV exceeds 75% for development loans.
  - For Development assets, where a development will not meet practical completion by the date anticipated at origination.
  - 30 days prior to maturity for bridging loans.
- Stage 3 – assets where there is objective evidence of impairment, i.e. they are considered to be in default. Impairment provisions are recognised against lifetime ECL. For assets allocated to stage 3, interest income is recognised on the balance net of impairment provision.
- Purchased or originated credit impaired (POCI) – POCI assets are financial assets that are credit impaired on initial recognition. On initial recognition they are recorded at fair value. ECLs are only recognised or released to the extent that there is a subsequent change in the ECLs. Their ECL is always measured on a lifetime basis.

Where there is objective evidence that asset quality has improved, 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.

Notes to the financial statements continued

18. Loans and advances continued

Analysis of loans and advances by stage continued

Evidence that asset quality has improved will include:

- Repayment of arrears
- Improved credit worthiness
- Term extensions and the ability to service outstanding debt

If a loss is ultimately realised, it is written off against the provision previously provided for with any excess charged to the impairment provision in the statement of profit and loss.

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 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;
- the downside economic assumption scenario is given a 100% weighting in the model; 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 1-in-10 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:

Real GDP Growth (% Growth YoY)

Macro Assumptions	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Base	0.52%	2.02%	1.96%	1.64%	1.61%	1.55%	1.54%	1.53%	1.51%	1.46%
Upside	3.39%	5.17%	3.10%	2.35%	1.46%	1.40%	1.39%	1.38%	1.37%	1.31%
Downside	-1.96%	-0.31%	1.41%	1.50%	1.72%	1.66%	1.65%	1.64%	1.63%	1.57%

Unemployment (%)

Macro Assumptions	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Base	4.00%	3.90%	3.80%	3.80%	3.80%	3.80%	3.80%	3.80%	3.80%	3.80%
Upside	3.50%	2.40%	2.10%	2.10%	2.20%	2.30%	2.40%	2.50%	2.70%	2.80%
Downside	4.60%	5.70%	6.63%	6.84%	6.63%	6.42%	6.21%	6.01%	5.80%	5.59%

House Price Inflation (Residential, % Growth YoY)

Macro Assumptions	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Base	1.77%	2.22%	5.47%	5.12%	3.50%	2.82%	2.53%	2.74%	3.16%	3.44%
Upside	5.10%	6.27%	9.41%	6.19%	3.27%	2.59%	2.30%	2.52%	2.93%	3.21%
Downside	-4.80%	-3.26%	0.28%	4.19%	3.91%	3.22%	2.93%	3.14%	3.56%	3.84%

Commercial Real Estate (% Growth YoY)

Macro Assumptions	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Base	3.25%	4.35%	4.02%	3.03%	2.07%	1.60%	1.30%	1.10%	0.95%	0.78%
Upside	14.19%	7.27%	4.99%	1.24%	0.12%	0.04%	0.05%	0.09%	0.13%	0.12%
Downside	-5.69%	3.17%	4.17%	4.34%	3.57%	2.79%	2.26%	1.87%	1.57%	1.29%

Notes to the financial statements continued

18. Loans and advances continued

Analysis of loans and advances by stage continued

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:

	2024	2023
Base	40%	40%
Upside	20%	20%
Downside	40%	40%

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 Committee and the Board prior to any changes being implemented.

Single Factor Sensitivities	ECL Impact (£m)
A 20% increase in unemployment	0.1
10% increase in Forced Sale Discount	1.0

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 2024 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 to customer by £1.0m

Movement analysis of net loans by stage

	Stage 1 £'m	Stage 2 £'m	Stage 3 £'m	Total £'m
As at 1 April 2023	902.2	191.8	28.9	1,122.9
Transfer to stage 1	35.5	(35.5)	–	–
Transfer to stage 2	(64.5)	64.5	–	–
Transfer to stage 3	(36.8)	(33.9)	70.7	–
New financial assets originated	349.7	–	–	349.7
New financial assets originated and transferred to stage 2 or stage 3	(68.0)	63.5	4.5	–
Financial assets which have repaid	(223.2)	(71.4)	(12.0)	(306.6)
Balance movements in loans	(582.9)	(88.9)	(17.2)	(689.0)
Total movement in loans and advances	(590.2)	(101.7)	46.0	(645.9)
As at 31 March 2024	312.0	90.1	74.9	477.0

Notes to the financial statements continued

18. Loans and advances continued

Movement analysis of gross loans by stage continued

	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

Movement analysis of gross loans by stage

	Stage 1 £'m	Stage 2 £'m	Stage 3 £'m	Total £'m
As at 1 April 2023	935.7	196.7	36.1	1,168.5
Transfer to stage 1	37.7	(37.7)	–	–
Transfer to stage 2	(66.1)	66.1	–	–
Transfer to stage 3	(36.6)	(34.0)	70.6	–
New financial assets originated	341.7	–	–	341.7
New financial assets originated and transferred to stage 2 or stage 3	(66.7)	62.2	4.5	–
Financial assets which have repaid	(223.5)	(71.7)	(14.5)	(309.7)
Balance movements in loans	(617.0)	(92.5)	(4.9)	(714.4)
Write-offs	–	–	(9.1)	(9.1)
Total movement in loans and advances	(630.5)	(107.6)	46.6	(691.5)
As at 31 March 2024	305.2	89.1	82.7	477.0

	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

Movement analysis of ECL by stage

	Stage 1 £'m	Stage 2 £'m	Stage 3 £'m	Total £'m
As at 1 April 2023	0.5	1.2	7.4	9.1
Transfer to stage 1	0.4	(0.4)	–	–
Transfer to stage 2	(0.1)	0.1	–	–
Transfer to stage 3	–	–	–	–
New financial assets originated	0.5	–	–	0.5
New financial assets originated and transferred to stage 2 or stage 3	(0.4)	0.4	–	–
Financial assets which have repaid	(0.2)	(0.3)	(2.5)	(3.0)
Changes in models/risk parameters	(0.6)	(0.5)	10.9	9.8
Adjustments for interest on impaired loans	–	–	1.4	1.4
Write-offs	–	–	(9.3)	(9.3)
Total movement in impairment provision	(0.4)	(0.7)	0.5	(0.6)
As at 31 March 2024	0.1	0.5	7.9	8.5

Notes to the financial statements continued

18. Loans and advances continued

Movement analysis of ECL by stage continued

	Stage 1 £'m	Stage 2 £'m	Stage 3 £'m	Total £'m
As at 1 April 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	0.2	(2.5)	(1.9)
As at 31 March 2023	0.5	1.2	7.4	9.1

Credit risk on gross loans and advances

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

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 as well as internal data is used to assign the initial risk grade score with additional SICR rules used to generate the final risk grade.

Year ended 31 March 2024	Stage 1 £'m	Stage 2 £'m	Stage 3 £'m	Total £'m
Risk grades 1–5	305.2	81.0	–	386.2
Risk grades 6–9	–	8.1	–	8.1
Default	–	–	82.7	82.7
Total	305.2	89.1	82.7	477.0

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

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 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 to a level that the probability of default has at least doubled. This is 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 Development 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).

Notes to the financial statements continued

18. Loans and advances continued

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

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 to 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.

Risk Grade	Gross loans and advances (£'m)			ECL (£'m)			Probability of default		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Bridging	Buy-to-let	Development
RG1	267.6	4.1	0.0	(0.1)	(0.0)	0.0	6.6%	0.4%	0.1%
RG2	28.8	21.9	0.0	(0.0)	(0.1)	0.0	11.6%	1.5%	0.4%
RG3	4.3	20.0	0.0	(0.0)	(0.1)	0.0	18.9%	2.1%	0.6%
RG4	2.7	14.8	0.0	(0.0)	(0.1)	0.0	30.0%	3.4%	1.2%
RG5	1.8	20.2	0.0	(0.0)	(0.1)	0.0	44.6%	4.2%	2.3%
RG6	0.0	3.4	0.0	(0.0)	(0.1)	0.0	68.9%	6.2%	4.1%
RG7	0.0	2.5	0.0	0.0	(0.0)	0.0	79.0%	8.1%	7.2%
RG8	0.0	0.5	0.0	0.0	(0.0)	0.0	87.5%	10.6%	11.6%
RG9	0.0	1.7	0.0	0.0	(0.0)	0.0	93.2%	15.5%	18.9%
RG10	0.0	0.0	82.7	0.0	0.0	(7.9)	100%	100%	100%
Total	305.2	89.1	82.7	(0.1)	(0.5)	(7.9)			

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; and

b) the loan is two months in arrears either in term or after expiry.

18. Loans and advances continued

Determining whether a financial asset is in default or credit impaired continued

Buy-to-Let and Residential 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; and

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 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.

19. Investment securities

As at year end the Group investment securities were £41.1 million (2023: £23.9 million). The investment securities relate to a 5% retained position in structured securitisation entities that are no longer consolidated.

	Year ended 31 March 2024 £'m	Year ended 31 March 2023 £'m
Retained interest in:		
Mortimer BTL 2020-1 PLC	–	10.7
Mortimer BTL 2021-1 PLC	10.1	–
Mortimer BTL 2022-1 PLC	12.0	13.2
Mortimer BTL 2023-1 PLC	19.0	–
	41.1	23.9

The Group sold its residual interest it held in Mortimer BTL 2020-1 PLC on 1 March 2023. The sale of the certificate and Mortimer 2020 asset being called on March 1, 2023, resulted in a derecognition event, as substantially all of the risk, rewards and control of the vehicle passed to the Purchaser. As the variable returns, and control of the vehicle had been transferred, the Mortimer BTL 2020-1 PLC entity has also been deconsolidated from the Group's results. Subsequent to this, Mortimer BTL 2020-1 PLC was called by the certificate holder in June 2023, redeeming all notes at par value. Therefore, the retained interest was repaid at par value such that there is no longer any retained interest in Mortimer BTL 2020-1 PLC held by the Group.

The Group sold its holding of the certificate for Mortimer BTL 2021–1 PLC on 19 April 2023. The sale of the certificate represents the excess spreads in the securitisation vehicle as well as an option to repurchase the asset from the vehicle on 25 June 2026. The sale of the certificate and call options resulted in a derecognition event as substantially all the risks, rewards, and control of the vehicle passed to the purchaser. As the variable returns, and control of the vehicle had been transferred, the Mortimer BTL 2021-1 PLC entity has also been deconsolidated from the Group's results. This has resulted in a gain on sale of £10.7m pre-tax. The investment securities of £10.1m represents the retained risk retention in the form of debt securities issued by unconsolidated structured entities as part of the securitisation transactions that are retained by the Group.

19. Investment securities continued

The Group securitised a portfolio of mortgage loans into a securitisation vehicle, Mortimer BTL 2023-1 PLC, on 29 November 2023. On 4 January 2024, the Group sold its holdings of residual notes in the securitisation vehicle, Mortimer BTL 2023-1 PLC. The sale of the residual notes represented the excess spreads in the securitisation vehicle as well as an option to repurchase the assets from the vehicle on 26 December 2026. The sale of the residual notes and call options resulted in a derecognition event as substantially all the risks, rewards, and control of the vehicle passed to the purchaser. As the variable returns, and control of the vehicle had been transferred, the Mortimer BTL 2023-1 PLC entity has also been deconsolidated from the Group's results. This has resulted in a loss on sale of £2.5m pre-tax. The investment securities of £19m represent the retained risk retention in the form of debt securities issued by unconsolidated structured entities as part of the securitisation transactions that are retained by the Group.

The investment securities are carried at amortised cost.

20. Other payables

	Year ended 31 March 2024 £'m	Year ended 31 March 2023 £'m
Trade payables	14.1	15.1
Other payables:		
– Taxes and social security costs	1.2	1.4
– Accruals and deferred income	7.9	7.0
– Sub-lease deposit rent payable	0.2	0.2
	23.4	23.7

The trade payables balance includes Trustees' balances of £2.5 million (2023: £6.3 million) in respect of uninvested cash held on the Self-Select platform, which may be withdrawn by investors at any time.

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

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

21. Interest bearing liabilities

	Year ended 31 March 2024 £'m	Year ended 31 March 2023 £'m
Funds from investors and partners	514.0	1,159.6
Accrued interest	3.9	4.3
Unamortised funding line costs	(3.3)	(4.6)
	514.6	1,159.3

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 12% 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.

Notes to the financial statements continued

21. Interest bearing liabilities continued

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 2024 £'m	As at 31 March 2023 £'m
Interest bearing liabilities	514.6	1,159.3
Deduct: cash as reported in financial statements	(55.7)	(46.7)
Net debt: borrowings less cash as reported in the financial statements	458.9	1,112.6
Add back: unamortised funding line costs	3.3	4.6
Add back: trustees' account balances	2.5	6.3
Add back: accrued interest	3.9	4.3
Deduct: retained interest	(4.1)	(5.9)
Net debt	464.5	1,121.9

	Interest-bearing liabilities £'m	Leases £'m
31 March 2023	(1,159.3)	(3.3)
Cash flows	(2.5)	1.4
Deconsolidation of subsidiaries	662.5	–
Movement in accrued interest on interest bearing liabilities	0.4	–
Amortisation of Funding line costs	(3.7)	–
Investment securities	(12.0)	–
Lease liability interest	–	(0.3)
Dilapidations provision	–	(0.1)
31 March 2024	(514.6)	(2.3)

	Interest-bearing liabilities £'m	Leases £'m
31 March 2022	(1,214.1)	(4.1)
Cash flows	(155.8)	1.4
Movement in accrued interest on interest bearing liabilities	(1.5)	–
Amortisation of Funding line costs	(3.2)	–
Derivative, hedge accounting and committed facility fair value (profits)/losses	215.3	–
Reinstatement of dilapidations provision	–	(0.1)
Lease liability interest	–	(0.5)
31 March 2023	(1,159.3)	(3.3)

22. Share capital

	Year ended 31 March 2024		Year ended 31 March 2023	
Issued and fully paid up	Number	£	Number	£
Ordinary shares	141,032,025	70,516	139,631,046	69,816
Total number of shares issued	141,032,025	70,516	139,631,046	69,816
Ordinary shares held in EBT Trust	(1,641,645)	(821)	(1,640,205)	(820)
Forfeited ordinary shares held in SIP Trust	(154,966)	(77)	(48,056)	(24)
Total number of shares in circulation	139,235,414	69,618	137,942,785	68,972

Share premium	Year ended 31 March 2024 £'m	Year ended 31 March 2023 £'m
1 April	55.2	55.2
Issue of new equity	–	–
Costs incurred in issuing new equity	–	–
31 March	55.2	55.2

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.

Notes to the financial statements continued

22. Share capital continued

LendInvest plc has one class of ordinary share, the shares have attached to them full voting, dividend and capital distribution rights.

They do not confer any rights of redemption.

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

Reconciliation of movements during the period

	Ordinary shares
As at 1 April 2023	139,631,046
Issue of shares into the Employment Benefit Trust	1,400,979
As at 31 March 2024	141,032,025

On 5 September 2023, the company issued and allotted the remaining 67,592 ordinary shares from its existing block admission (completed in August 2021) for the purposes of granting share awards under the company's SIP. The remainder of the shares granted under the SIP were sourced from the EBT.

On 25 September 2023, the company issued a further 1,333,387 ordinary shares into the EBT to satisfy the expected exercise of vested share options held by employees under the Company's share plans.

23. 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. Own share reserve represents the weighted average cost of shares of Lendinvest plc that are held by the employee benefit trust for the purpose of fulfilling obligations in respect of various employee share plans.

Cash flow hedge reserve movement

	Financial liabilities £'m	Deferred tax £'m	Cash flow hedge reserve £'m
Balance as at 1 April 2023	21.5	(5.4)	16.1
Movement in fair value of loans and advances at fair value through other comprehensive income	–	–	–
Cash flow hedge reserve recycled to profit and loss on derecognition of interest bearing obligations	(21.5)	5.4	(16.1)
Cash flow hedge reserve at 31 March 2024	–	–	–

On 14 April 2023, the Group sold its non-risk retention residual economic interest in the Mortimer BTL 2021-1 PLC securitisation for a cash consideration of £8.66m. The sale of the certificate (residual notes) resulted in a derecognition event as substantially all the risks, rewards, and control of the vehicle passed to the investor. As the control of the vehicle (Mortimer BTL 2021-1) had been transferred, the vehicle has been deconsolidated from the Group's results. This also resulted in the re-cycling of a loss of £21.5m from the cash flow hedge reserves to the line item 'Net gain on derecognition of financial assets' in the profit and loss.

Fair value reserve movement

	Gross £'m	Deferred tax £'m	Net £'m
Fair value reserve balance as at 1 April 2023	(22.0)	5.5	(16.5)
Fair value movement on loans during the period	56.2	(14.0)	42.2
Less: Recycles to profit and loss as part of sale and maturity of portfolio	(36.0)	9.0	(27.0)
Less: Release of fair value on hedged items to profit and loss	10.3	(2.6)	7.7
Fair value reserve at 31 March 2024	8.5	(2.1)	6.4

In the prior year, the Cash Flow Hedge Reserve and Fair Value Reserve were presented cumulatively in note 26(d).

Notes to the financial statements continued

24. 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 2019	Year ended 31 March 2020	Year ended 31 March 2021
Option pricing model used	Black-Scholes model	Black-Scholes model	Black-Scholes model
Valuation of share options at grant date	£0.6 per share	£0.6 per share	£0.9 per share
Amortisation period	4 years	4 years	4 years
Strike price	£0.0005	£0.0005	£0.0005
Expiry date	September 2028	August 2029	January 2031
Grant date	September 2018	August 2019	January 2021

The movement in options is as follows:

	Year ended 31 March 2019	Year ended 31 March 2020	Year ended 31 March 2021
Balance at 1 April 2022	912,200	687,000	1,957,000
Granted during the year	–	–	–
Options exercised during the year	(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
Granted during the year	–	–	–
Options exercised during the year	(17,000)	(43,000)	(284,500)
Cancelled during the year		(8,000)	(171,250)
Balance at 31 March 2024	47,650	105,750	1,208,081

The weighted average share price at the time of exercise for all of the options exercised in the year was £0.58.

Awards granted in the year to 31 March 2024

During the period ended 31 March 2024, 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 2024, 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 scheme. The DBP vests 12 months after the award date and is forfeited by employees if they leave the business during this period.

Under the LendInvest plc 2021 Long-Term Incentive Plan (LTIP):

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

Year of introduction	Share price per award	Exercise price per award	Date of vesting	Number of shares for which awards outstanding at March 2023	Awards granted during period	Awards vested during period	Awards lapsed during period	Number of shares for which awards outstanding at March 2024
2021.1	2.185	Nil	Aug 2024	1,901,850	–	–	(364,872)	1,536,978
2021.2	2.010	Nil	Dec 2024	161,615	–	–	(22,727)	138,888
2022	1.535	Nil	July 2025	2,645,899	–	–	(725,181)	1,920,718
2022	1.535	Nil	July 2023	188,680	–	–	(26,461)	162,219
2023	0.45	Nil	July 2026	–	2,719,000	–	(577,167)	2,141,833
2023	0.47	Nil	July 2024	–	1,358,765	–	(231,922)	1,126,843

The weighted average fair value of these awards granted during the period was £0.46 per award.

Notes to the financial statements continued

24. Share-based payments continued

Awards granted in the year to 31 March 2024

c) Other Share Plans

Share Incentive Plan

An award of shares was made to employees in September 2023. 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 5 September 2023, an award of free shares was made to all eligible employees. The number of shares awarded was, with a fair value of 0.51p 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 2023	477,902
Granted	1,020,662
Forfeited	(477,140)
Outstanding at March 2024	1,021,424

Share-based payment charge recognised

	Year ended 31 March 2024 £'m	Year ended 31 March 2023 £'m
Executive Share Option Plans:		
Long-Term Incentive Plan:		
Options granted in the year	0.2	0.4
Options granted in prior years	(0.1)	0.4
Other Share Plans:		
Deferred Bonus plan		
Options granted in the year	0.0	0.1
Options to be granted as part of Company bonus scheme	0.5	0.4
Share Incentive Plan		
Shares granted in the year	0.1	0.1
Options granted in prior years	0.2	0.2
Company Share Options Plan	0.2	0.3
Total all plans	1.1	1.9
Social security expense	0.1	0.1
Total charge to the income statement (note 10)	1.2	2.0

Weighted average exercise price

	£
At 1 April 2023	0.01
At 31 March 2024	0.01

Notes to the financial statements continued

24. Share-based payments continued

Weighted average remaining contractual life

	Years	Number of Options
2018 CSOP	4.4	47,650
2019 CSOP	5.3	105,750
2020 CSOP	6.8	1,210,081
2021.1 LTIPs	0.4	1,536,978
2021.2 LTIPs	0.7	138,888
2022 DBP	0.0	162,219
2022 LTIPs	1.3	1,920,718
2023 DBP	0.3	1,126,843
2023 LTIPs	2.3	2,141,833
All schemes	1.6	8,390,960

25. 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 2024 and 31 March 2023 according to the nature of the asset. All financial liabilities of the Group are carried at amortised cost as at 31 March 2024 and 31 March 2023 due to the nature of the liability, with the exception of derivatives which are measured at fair value.

Financial instruments measured at amortised cost

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

a) Carrying amount of financial instruments

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

	As at 31 March 2024 £'m	As at 31 March 2023 £'m
Financial assets at amortised cost		
Cash and cash equivalents	55.7	46.7
Trade and other receivables	6.4	4.2
Loans and advances[1]	10.2	174.2
Investment securities	41.1	23.9
Financial assets at fair value through other comprehensive income		
Loans and advances	466.8	948.7
Financial assets at fair value through profit and loss		
Derivative financial asset	–	46.0
Fair value adjustment for portfolio hedged risk asset	–	0.1
Total financial assets	580.2	1,243.8

1 As at 31 March 2024 the Group hold these loans valued at amortised cost within the accounts. The portfolio of BTL loans that had previously been held at fair value through other comprehensive income as at 31 March 2023 are now being held under amortised costs as at 31 March 2024 as a result of a change in classification to 'hold to collect'.

	As at 31 March 2024 £'m	As at 31 March 2023 £'m
Financial liabilities at amortised cost		
Trade and other payables	(23.4)	(22.3)
Interest bearing liabilities	(514.6)	(1,159.3)
Lease liability	(2.3)	(3.3)
Financial liabilities at fair value through profit and loss		
Derivative financial liability	(2.0)	–
Total financial liabilities	(542.3)	(1,184.9)

Notes to the financial statements continued

25. Financial instruments continued

Financial instruments measured at amortised costs continued

b) Carrying amount versus fair value

The following table compares the carrying amounts and fair values of the Group's financial assets and financial liabilities as at 31 March 2024 and the comparative figures:

	As at 31 March 2024		As at 31 March 2023	
	Carrying Amount £'m	Fair Value £'m	Carrying Amount £'m	Fair Value £'m
Financial assets				
Cash and cash equivalents	55.7	55.7	46.7	46.7
Trade and other receivables	6.4	6.4	4.2	4.2
Loans and advances	477.0	477.0	1,122.9	1,122.9
Derivative financial asset	–	–	46.0	46.0
Investment securities	41.1	41.1	23.9	23.9
Fair value adjustment for portfolio hedged risk asset	–	–	0.1	0.1
Total financial assets	580.2	580.2	1,243.8	1,243.8
Financial liabilities				
Trade and other payables	(23.4)	(23.4)	(22.3)	(22.3)
Interest bearing liabilities	(514.6)	(508.1)	(1,159.3)	(1,157.9)
Derivative financial liability	(2.0)	(2.0)	–	–
Lease liability	(2.3)	(2.3)	(3.3)	(3.3)
Total financial liabilities	(542.3)	(535.8)	(1,184.9)	(1,183.5)

The fair value of Retail Bond 3 interest bearing liabilities is calculated based on the mid-market price of 86.3 on 31 March 2024 (price of 98.7 on 31 March 2023).

The fair value of Retail Bond 4 interest bearing liabilities is calculated based on the mid-market price of 100.1 on 31 March 2024.

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.

	As at 31 March 2024 £'m	Level 1 £'m	Level 2 £'m	Level 3 £'m
Financial instruments measured or disclosed at fair value				
Interest rate swap	(2.0)	–	(2.0)	–
Loans and advances	466.8	–	–	466.8
Financial instruments measured or disclosed at amortised cost				
Loans and advances	10.2	–	–	10.2
Interest bearing liabilities[1]	(508.1)	(74.9)	–	(433.2)

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

Notes to the financial statements continued

25. Financial instruments continued

Financial instruments measured at amortised costs continued

	As at 31 March 2023 £'m	Level 1 £'m	Level 2 £'m	Level 3 £'m
Financial instruments measured or disclosed at fair value				
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)

1 Interest bearing liabilities are held at amortised cost on the statement of financial position. Level 1 financial instruments include the Group's listed retail bond notes. Level 3 interest bearing liabilities are short term in nature and their carrying value approximates their fair value.

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.

For the year ended 31 March 2024 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 1-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 2024 £'m
Level 3 assets at beginning of the period	948.7
Additional impairment provisions made during the period[1]	(8.7)
Impairment provision utilised in the period	9.3
Fair value adjustments on loan & advances through OCI	8.5
New level 3 assets originated	349.7
Level 3 assets that have repaid	(242.3)
Balance movements in level 3 assets	(598.4)
Level 3 assets at the end of the period	466.8

1 ECL provision of £8.7 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 £8.5 million (2023: £7.7 million). This includes the £7.1 million (2023: £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 £1.4 million (2023: £1.7 million).

Financial instrument	Valuation technique used	Significant unobservable inputs	Range
Loan and advances	Discounted cash flow valuation	Prepayment rate	0%–10%
		Probability of default	7%–100%
		Discount rate	4%–12%

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 sensitivity analysis below will be reported through other comprehensive income.

Notes to the financial statements continued

25. Financial instruments continued

Sensitivity Analysis

Impact of changes in unobservable inputs at 31 March 2024	+100bps £'m	-100bps £'m
Prepayment rates	(0.2)	0.2
Discount rate	(7.4)	7.7
Probability of default	–	–

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	–	–

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.

26. Derivatives held for risk management

	Year ended 31 March 2024		Year ended 31 March 2023	
Instrument Type	Asset £'m	Liability £'m	Asset £'m	Liability £'m
SONIA indexed interest rate swaps	–	2.0	46.0	–
Total	–	2.0	46.0	–

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 decrease of £48 million on the derivative asset position during the year (2023: increase of £13.5 million).

The Group received £35.1 million in cash on termination of in-the-money derivatives and a further £5.2 million in quarterly interest receipts during the year. The Group paid an initial amount on Wells Fargo swap of £9.9 million to set the fixed leg of below market as part of the capital structure of two special purpose vehicles formed during the year.

The net notional principal amount of the outstanding interest rate swap contracts at 31 March 2024 was £148.3 million (2023: £779.1 million).

27. Dividends

	Year ended 31 March 2024		Year ended 31 March 2023	
	£'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	

28. Investment in joint ventures

During FY23 LendInvest Loan Holdings Limited entered into an agreement to establish a private company limited by shares, Tradelend Limited. Under the 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.

In FY23, Tradelend Limited was disclosed as a joint venture under IFRS 11 – Joint Arrangements and accounted using the equity method under IAS 28 – Investments in Associates and Joint Ventures. Tradelend Limited did not trade during the year.

During FY24 the Group subsequently evaluated that under IFRS 10 Para 6 Control criteria, Tradelend is an indirect subsidiary of LI Plc and should not be accounted as Joint Venture. Given Tradelend did not trade during FY23, the Group determines the size and nature of error to be immaterial and therefore prior period restatement is not required.

The Group also assessed the accounting implications of recognising Tradelend NCI portion in line with accounting policy 1.21. The NCI of Tradelend is considered to be immaterial and hence the financial information is not disclosed.

Notes to the financial statements continued

29. Investment in third parties

No new investments in third parties during the year but a return on investment of £0.05m was realised during the year.

In December 2022 LendInvest Capital GP II Sarl invested in LendInvest Capital GP II, subsequently a redemption was placed and with effect from 3rd July 2023, LendInvest Capital GP II Sarl was no longer recognised as an investor, but a creditor. At this point the receivable value of £2,052k was crystalised and reclassified from an investment to a receivable.

30. Disclosure of interest in unconsolidated structures

During the year, the Group sold its holding of the residual certificate in Mortimer BTL 2021 –1 PLC securitisation on 19 of April 2023. The securitisation entity was sponsored by LI BTL Limited by funding X notes and setup costs. The sale of the certificate and call options resulted in a derecognition event as substantially all the risks, rewards, and control of the vehicle passed to the purchaser and therefore the entity was deconsolidated.

Additionally, the Group securitised a portfolio of mortgage loans into a securitisation vehicle, Mortimer BTL 2023-1 PLC, on 29 November 2023. The securitisation entity was sponsored by LI BTL Limited by funding X notes and setup costs. On 4 January 2024, the Group sold its holdings of residual notes in the securitisation vehicle, Mortimer BTL 2023-1 PLC. The sale of the residual notes and call options resulted in a derecognition event as substantially all the risks, rewards, and control of the vehicle passed to the purchaser.

The following notes disclose interest in these entities as per the requirements of para B25 IFRS 12:

Summarised financial information of interests:

Summarised below is the table providing carrying amounts of all assets at the time of transfer in relation to Mortimer 2023-1 Plc and Mortimer 2021-1 PLC as below:

	£m	
	Mortimer 23	Mortimer 21
Cash and cash equivalents	16.0	6.3
Other current assets	–	7.8
Deemed loans	401.0	238.1
Derivatives	4.1	21.8
Other Liabilities	7.6	–

Summarised statement of comprehensive income:

Summarised below is the table which sets out the income from structured entities during the reporting period:

	Mortimer 23 £m	Mortimer 21 £m
Interest income	4.1	0.5
Other interest and similar income	0.1	–
Interest expense	(2.0)	(0.6)
Net interest income	2.2	(0.1)
Admin Expenses	–	0.1
Total operating expenses	–	–
Profit for the period	2.2	–

Notes to the financial statements continued

31. Related-party transactions

See note 12 for analysis of Director compensation. There were no other related party transactions during the period to 31 March 2024 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 4th January 2024, the Group sold its residual economic interest in the Mortimer 2023 securitisation and announced a gain of £12.1m. Subsequently, the company identified an accounting issue concerning the sale of residual interest. The issue related to swap and hedge accounting assumptions as part of the derecognition calculation. As a result of the issue identified, the Group released an announcement on 17th June 2024 and advised the market to reduce expectations of net operating income and profit before tax for Financial year 2024 by disregarding the previously expected net gain of £12.1m from the sale.

On 1st June 2024, the Group entered into a three-year strategic funding facility with a third party financing provider. On the same date, the Group repaid its funding facility with GCP Asset Backed Income Fund Ltd. The proceeds from the arrangement were used to provide term loans to Group subsidiaries for the purposes of funding mezzanine positions under the BTL and/or bridging facilities, to warehouse whole loans or to provide intercompany loans to Lendinvest PLC.

34. Earnings per share

Basic earnings per share	Year ended 31 March 2024 Pence/share	Year ended 31 March 2023 Pence/share
Total basic earnings per share attributable to the ordinary equity holders of the Group	(14.5)	8.3

Diluted earnings per share	Year ended 31 March 2024 Pence/share	Year ended 31 March 2023 Pence/share
Total basic earnings per share attributable to the ordinary equity holders of the Group	(14.5)	8.0

Number of shares used as denominator	Year ended 31 March 2024	Year ended 31 March 2023
Number of ordinary shares used as the denominator in calculating basic earnings per share	138,439,688	137,437,395
Adjustment for calculations of diluted earnings per share: Options	–	4,602,267
Number of ordinary shares and potential ordinary shares used as denominator in calculating diluted earnings per share	138,439,688	142,039,662

The loss after tax reported in the consolidated statement of profit and loss, £20.1 million (31 March 2023: £11.4 million profit), is the numerator (earnings) used in calculating earnings per share.

Company statement of financial position

	Note	As at 31 March 2024 £'m	As at 31 March 2023 £'m
Assets			
Cash and cash equivalents	9	19.8	19.6
Trade and other receivables	8	32.9	28.2
Corporate tax receivable	8	1.7	3.2
Loans and advances	10	62.0	63.8
Property, plant and equipment	5	1.3	2.2
Net investment in sublease	2	0.6	1.0
Intangible assets	6	10.7	10.5
Deferred taxation	4	0.8	0.8
Total assets		129.8	129.3
Liabilities			
Trade and other payables	11	(59.0)	(22.8)
Interest bearing liabilities	12	(12.5)	(34.9)
Lease liabilities	2	(2.3)	(3.3)
Total liabilities		(73.8)	(61.0)
Net assets		56.0	68.3

	Note	As at 31 March 2024 £'m	As at 31 March 2023 £'m
Equity			
Employee share reserve		3.8	3.3
Share capital	13	0.1	0.1
Share premium	13	55.2	55.2
Own Share Reserve		(0.1)	(0.6)
Accumulated losses/(Retained earnings)	14	(3.0)	10.3
Total equity		56.0	68.3

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 (loss)/profit after tax of the parent company for the year was £(8.3) million (2023: £4.9 million).

The financial statements on pages 115 to 128 were approved and authorised for issue by the Board of Directors on 23 July 2024 and were signed on its behalf by:

Rod Lockhart
Director

Company statement of cash flows

Cash flow from operating activities	Note	Year ended 31 March 2024 £'m	Year ended 31 March 2023 (restated) £'m
(Loss)/profit after taxation		(8.3)	4.9
Adjusted for:			
Depreciation of property, plant and equipment	5	0.2	0.2
Amortisation of intangible assets	6	3.0	1.9
Company share and share option schemes		1.3	(1.0)
Income tax (credit)/expense		(1.3)	3.0
Impairment provision	10	6.6	7.6
Depreciation of right-of-use asset	2	0.7	0.6
Dilapidations provision	2	0.1	–
Interest expense – lease liabilities	2	0.3	0.5
Income from sublease		(0.1)	(0.2)
Change in working capital			
Increase in gross loans and advances	10	(4.8)	(26.8)
Increase in trade and other receivables	8	(1.6)	(14.8)
Increase/(decrease) in trade and other payables	11	36.2	(5.8)
Income taxes paid	4	(1.1)	–
Cash generated/(used in) from operations		31.2	(29.9)
Purchase of property, plant and equipment	5	–	(0.2)
Capitalised development costs	6	(3.2)	(6.3)
Income from sublease		0.1	0.2
Net cash used in investing activities		(3.1)	(6.3)

Cash flow from operating activities	Note	Year ended 31 March 2024 £'m	Year ended 31 March 2023 (restated) £'m
Cash flow from financing activities			
Repayment of funder liabilities	12	(22.3)	(2.6)
Funding received from Institutional lenders	12	(0.2)	15.2
Principal elements of finance lease payments		(0.7)	(0.9)
Interest expense – lease liabilities		(0.3)	(0.5)
Dividends paid		(4.4)	(7.8)
Net cash generated/(used in) from financing activities		(27.9)	3.4
Net increase/(decrease) in cash and cash equivalents		0.2	(32.8)
Cash and cash equivalents at beginning of the period	9	19.6	52.4
Cash and cash equivalents at end of the period	9	19.8	19.6

Interest received was £0.3 million (2023: £0.2 million) and interest paid was £0.0 million (2023: £3.0 million).

Company statement of changes in equity

	Share capital £'m	Share premium £'m	Own Share Reserve £'m	Employee share reserve £'m	Retained Earnings / (accumulated deficit) £'m	Total £'m
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 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
Loss after taxation	–	–	–	–	(8.3)	(8.3)
Employee share scheme tax	–	–	–	–	(0.8)	(0.8)
Share issued from own share reserve	–	-	0.5	–	(0.5)	–
Transfer of share option costs	–	–	–	(0.8)	0.8	–
Dividends paid	–	–	–	–	(4.5)	(4.5)
Employee share option schemes	–	–	–	1.3	–	1.3
Balance as at 31 March 2024	0.1	55.2	(0.1)	3.8	(3.0)	56.0

Notes forming part of the Company financial statements

1. Basis of preparation and material 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 53. 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 Company 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.

Investments in subsidiaries are stated at cost less impairment. Investments in subsidiaries, the majority of which are engaged in providing secured lending to third-party borrowers, are recorded on the balance sheet at historical cost less any impairment. At the end of each reporting period investment balances are assessed for objective evidence of impairment. Impairment is indicated where the investment exceeds the recoverable amount. The recoverable amount is higher of value in use or net realisable value of the Company. If objective evidence of impairment is found, an impairment is recognised in the statement of profit or loss.

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 25 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 Company 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.

For the period ended 31 March 2024 management considered the third-party weightings to adequately represent the macroeconomic environment across all products and have therefore applied 40%/40%/20% to the central, downside and upside scenarios respectively.

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.

Notes forming part of the Company financial statements continued

1. Basis of preparation and material accounting policies

1.1 Basis of preparation and going concern

Intermediary Fees

The intermediary fee is charged by the company, to its subsidiaries. This charge relates to the service provided by the group, in terms of management oversight, use of intellectual property and an allocation of costs incurred by the group, among various subsidiaries. This fee is based on a discretionary basis after due consideration on tax and regulatory requirements. This includes consideration made to pre-tax positions on the profit and loss of the individual entities and minimum cash balances to be maintained as a result of regulatory requirements.

1.2 Prior period adjustments

Restated statement of cash flows (Extract)

To reflect the funding movements in Financing activities on Gross basis. During the year, the Company noted that as per requirements of Section 21 of IAS7, major investing and financing activities should be on gross basis unless exempt. Historically, some major financing activities has been disclosed on a net basis and presented as "Increase/Decrease in Interest Bearing Liabilities". The error has been corrected by reflecting cash movements for funding received and repaid to our funding partners on gross basis as below.

	FY2023	Changes	FY2023 (Now restated)
Increase in interest bearing liabilities	12.6	(12.6)	0.0
Repayment of funder liabilities	–	(2.6)	(2.6)
Funding received from institutional lenders	–	15.2	15.2

2. Leases

Please refer to Group financial statements, note 2.

3. Financial risk Management

Liquidity risk management

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company'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 Company's position. The Company's liquidity position is monitored and reviewed on an ongoing basis by the Board and the Assets and Liabilities Committee.

The table below analyses the Company's contractual undiscounted cash flows of its financial assets and liabilities:

As at 31 March 2024 Financial assets	Carrying amount £'m	Gross nominal inflow/ (outflow) £'m	Amount due in less than 6 months £'m	Amount due 6–12 months £'m	Amount due between one and five years £'m	Amount due after five years £'m
Cash and cash equivalents	19.8	19.8	19.8	–	–	–
Other receivables	30.7	30.7	30.7	–	–	–
Loans and advances	62.0	62.4	2.8	23.9	35.1	0.6
	112.5	112.9	53.3	23.9	35.1	0.6
Financial liabilities						
Other payables	(57.8)	(57.8)	(57.8)	–	–	–
Interest bearing liabilities	(12.5)	(12.9)	(12.9)	–	–	–
Lease liability	(2.3)	(2.6)	(0.7)	(0.7)	(1.2)	–
	(72.6)	(73.3)	(71.4)	(0.7)	(1.2)	–

Notes forming part of the Company financial statements continued

3. Financial risk Management continued

Liquidity risk management continued

As at 31 March 2023 Financial assets	Carrying amount £'m	Gross nominal inflow/ (outflow) £'m	Amount due in less than 6 months £'m	Amount due 6–12 months £'m	Amount due between one and five years £'m	Amount due after five years £'m
Cash and cash equivalents	19.6	19.6	19.6	–	–	–
Other receivables	23.9	23.9	23.9	–	–	–
Loans and advances	63.8	64.0	1.8	35.0	26.8	0.4
	107.3	107.5	45.3	35.0	26.8	0.4
Financial liabilities						
Other payables	(22.8)	(22.8)	(22.8)	–	–	–
Interest bearing liabilities	(34.9)	(40.6)	(2.3)	(2.3)	(36.0)	–
Lease liability	(3.3)	(3.8)	(0.7)	(0.7)	(2.4)	–
	(61.0)	(67.2)	(25.8)	(3.0)	(38.4)	–

4. Taxation on (loss)/profit on ordinary activities

Deferred taxation

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

	Year ended 31 March 2024 £'m	Year ended 31 March 2023 £'m
Deferred tax assets	0.9	1.5
Deferred tax liabilities	(0.1)	(0.7)
Net deferred tax assets	0.8	0.8

The movements during the year are analysed as follows:

	Year ended 31 March 2024 £'m	Year ended 31 March 2023 £'m
Net deferred tax assets at the beginning of the year	0.9	1.2
Credit to the statement of profit and loss for the year	0.4	(0.7)
Credit/(charge) to equity	(0.8)	0.3
Over provision of deferred tax	0.3	–
Net deferred tax assets at the end of the year	0.8	0.8

Category of deferred tax

2024	Opening Balance £'m	Opening Balance Adjustment	Charge/ (Credit) to the statement of profit and loss – CY £'m	Charge/ (Credit) through equity – CY £'m	Charge/ (Credit) to the statement of profit and loss – PY £'m	Closing Balance £'m
Share and share option schemes	1.3	–	(0.1)	(0.9)	-	0.3
IFRS 16 transitional adjustment	0.1	–	–	–	–	0.1
Research and development	(0.6)	–	0.1	-	0.3	(0.2)
Losses	–	–	0.4	0.1	–	0.5
	0.8	–	0.4	(0.8)	0.3	0.7
2023						
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)
Losses	–	–	–	–	–	–
	1.2	–	(0.3)	0.3	(0.4)	0.8

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

Notes forming part of the Company financial statements continued

5. Property, plant and equipment

Refer to consolidated financial statements, note 14.

6. Intangibles

Costs	Software licences £'m	Internally developed Software £'m	Total £'m
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
Additions	–	3.2	3.2
Balance as at 31 March 2024	0.4	21.5	21.9

Accumulated amortisation and impairment	Software licences £'m	Internally developed Software £'m	Total £'m
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
Charge for the year	0.0	3.0	3.0
Balance as at 31 March 2024	0.4	10.8	11.2
Net carrying value as at 31 March 2024	–	10.7	10.7
Net carrying value as at 31 March 2023	–	10.5	10.5

Internally developed software development has been capitalised as an intangible asset and is being amortised over five years.

7. Investment in subsidiaries

	Year ended 31 March 2024 £'m	Year ended 31 March 2023 £'m
As at 1 April	–	–
As at 31 March	–	–

The Company owned either directly or indirectly, 100% of the share capital of the following subsidiaries during the year. All entities, other than those marked with an asterisk (*), were also in place during the prior year:

LendInvest Loan Holdings Limited	Intermediary holding company	Company
LendInvest Capital Advisors Limited	Intermediary holding company	LendInvest Capital Management Limited
LendInvest Finance No. 4 Limited	Provides secured lending to third-party borrowers	LendInvest Loan Holdings Limid
LendInvest Private Finance General Partners Limited	Dormant	Company
LendInvest Development Limited	Provides secured lending	LendInvest Loan
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 Finance No. 7 Limited*	Provides secured lending to third-party borrowers	LendInvest Loan Holdings Limited

Notes forming part of the Company financial statements continued

LendInvest Secured Income Plc	Provides secured lending to third-party borrowers	LendInvest Loan Holdings Limited
LendInvest Limited	Provides secured lending to third-party borrowers	LendInvest Loan Holdings Limited

Notes forming part of the Company financial statements continued

7. Investment in subsidiaries continued

Entity name	Principal activities	Direct Holding
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

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
Mortimer BTL 2022-1 Limited*	Securitisation vehicle for Buy-to-Let mortgages	NA
Mortimer BTL 2023-1 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
Tradelend Limited	Provides development finance, bridging loans, and any other finance loans	LendInvest Loan Holdings Limited

As at 31/3/2024 Lendinvest PLC no longer held control of Mortimer BTL 2021-1 Limited, Mortimer BTL 2022-1 Limited and Mortimer BTL 2023-1 Limited.

The registered address of all subsidiaries is Two Fitzroy Place, 8 Mortimer Street, London W1T 3JJ, with the exception of those noted below –

The registered address of BTL No. 1 Limited, BTL No. 2 Limited, BTL No. 3 Limited, Titan No.1 Limited, Puma BTL Limited, Mortimer BTL 2021-1 PLC, Mortimer BTL 2022-1 PLC, Mortimer BTL 2023-1 PLC is 8th floor 100 Bishopsgate, London, EC2N 4AG.

The registered address of Tradelend Limited is 13 David Mews, London, W1U 6EQ.

8. Other receivables

Due within one year	Year ended 31 March 2024 £'m	Year ended 31 March 2023 £'m
Trade receivables	30.5	22.0
Other receivables:		
– Prepayments and accrued income	2.2	3.1
– Other receivables	0.2	1.9
– Corporate tax receivable	1.7	3.2
Due after one year		
Rent deposit	–	1.2
	34.6	31.4

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.

Notes forming part of the Company financial statements continued

9. Cash and cash equivalents

	Year ended 31 March 2024 £'m	Year ended 31 March 2023 £'m
Cash at bank	17.3	16.0
Trustees' account	2.5	3.6
	19.8	19.6

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 sit 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 11).

10. Loans and advances

	Year ended 31 March 2024 £'m	Year ended 31 March 2023 £'m
Gross loans and advances[1]	77.6	72.8
ECL provision	(15.6)	(9.0)
Fair value adjustment[2]	–	–
Loans and advances	62.0	63.8

1 Included in gross loans and advances is £73.8 million (2023: £70.3 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 2023	(9.0)
Additional provisions made during the period	(6.8)
Utilised in the period	0.2
Under IFRS 9 at 31 March 2024	(15.6)

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)

Analysis of loans and advances by stage

Year ended 31 March 2024	Stage 1 £'m	Stage 2 £'m	Stage 3 £'m	Total £'m
Gross loans and advances	74.5	0.5	2.6	77.6
ECL provision	(15.3)	–	(0.3)	(15.6)
Fair value adjustment	–	–	–	–
Loans and advances	59.2	0.5	2.3	62.0

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 2 loans is 75%. The maximum LTV on stage 3 loans is 195%. The average LTV of stage 1 loans is 78%. The average LTV of stage 2 loans is 62%. The average LTV of stage 3 loans is 72% and the total value of collateral held on stage 3 loans is £0.8 million.

Notes forming part of the Company financial statements continued

10. Loans and advances continued

Movement analysis of net loans by stage

	Stage 1 £'m	Stage 2 £'m	Stage 3 £'m	Total £'m
As at 1 April 2023	62.3	0.6	0.9	63.8
Transfer to stage 3	(0.3)	(0.1)	0.4	–
Financial assets which have repaid	(0.1)	(0.4)	(0.2)	(0.7)
Balance movements in loans	(2.7)	0.4	1.2	(1.1)
Total movement in loans and advances	(3.1)	(0.1)	1.4	(1.8)
As at 31 March 2024	59.2	0.5	2.3	62.0

	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 3	–	(0.2)	0.2	–
New financial assets originated	0.1	–	–	0.1
Financial assets which have repaid	–	(0.5)	(0.3)	(0.8)
Balance movements in loans	19.8	0.2	(0.1)	19.9
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

Movement analysis of gross loans by stage

	Stage 1 £'m	Stage 2 £'m	Stage 3 £'m	Total £'m
As at 1 April 2023	70.9	0.6	1.3	72.8
Transfer to stage 3	(0.3)	(0.1)	0.4	–
Financial assets which have repaid	(0.1)	(0.4)	(0.4)	(0.9)
Balance movements in loans	4.0	0.4	1.3	5.7
Total movement in loans and advances	3.6	(0.1)	1.3	4.8
As at 31 March 2024	74.5	0.5	2.6	77.6

	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 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

Notes forming part of the Company financial statements continued

10. Loans and advances continued

Movement analysis of ECL by stage

	Stage 1 £'m	Stage 2 £'m	Stage 3 £'m	Total £'m
As at 1 April 2023	8.6	–	0.4	9.0
Financial assets which have repaid	–	–	(0.2)	(0.2)
Changes in models/risk parameters	6.7	–	0.2	6.9
Adjustments for interest on impaired loans	–	–	0.1	0.1
Write-offs	–	–	(0.2)	(0.2)
Total movement in impairment provision	6.7	–	(0.1)	6.6
As at 31 March 2024	15.3	–	0.3	15.6

The Company held no POCI loans during the year to 31 March 2024.

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

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 18 of the Group's accounts for details of the change of the calculation of risk grades during the current year. A table has been included to show the 31 March 2023 position had the new scores been retrospectively applied.

Year ended 31 March 2024	Stage 1 £'m	Stage 2 £'m	Stage 3 £'m	Total £'m
Risk grades 1–5	74.5	0.4	–	74.9
Risk grades 6–9	–	0.1	–	0.1
Default	–	–	2.6	2.6
Total	74.5	0.5	2.6	77.6

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

11. Other payables

	Year ended 31 March 2024 £'m	Year ended 31 March 2023 £'m
Trade payables	53.0	14.9
Other payables:		
– Taxes and social security costs	1.2	1.3
– Accruals and deferred income	4.5	6.3
– Sublease deposit repayable	0.2	0.2
– Employee free share award	0.1	0.1
	59.0	22.8

The trade payables balance includes Trustees' balances of £2.5 million (2023: £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.

Notes forming part of the Company financial statements continued

12. Interest bearing liabilities

	Year ended 31 March 2024 £'m	Year ended 31 March 2023 £'m
Funds from investors and partners	12.5	34.9
	12.5	34.9

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.

13. Share Capital

Refer to Group financial statements, note 22.

14. Reserves

Reserves are comprised of retained earnings and the employee share reserve, and fair value reserves. Retained earnings represent all net gains and losses of the Group less directly attributable costs associated with the issue of new equity and the employee share reserve represents the fair value of share options issued to employees but not exercised.

The fair value reserve represents movements in the fair value of the financial assets classified as FVOCI.

15. Share-based payments

Refer to Group financial statements, note 24.

16. Financial instruments

Principal financial instruments

The principal financial instruments used by the Company, from which financial instrument risk arises, are loans and advances, trade and other receivables, cash and cash equivalents, 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 or fair value through other comprehensive as at 31 March 2024 and 31 March 2023 according to the nature of the asset. All financial liabilities of the Company are carried at amortised cost as at 31 March 2024 and 31 March 2023 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, lease liabilities 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:

	Year ended 31 March 2024 £'m	Year ended 31 March 2023 (restated) £'m
Financial assets at amortised cost		
Cash and cash equivalents	19.8	19.6
Trade and other receivables	30.7	30.7
Financial assets at fair value through other comprehensive income		
Loans and advances	62.0	63.9
Total financial assets	112.5	114.2
Financial liabilities at amortised cost		
Trade and other payables	(57.8)	(21.5)
Interest bearing liabilities	(12.5)	(34.9)
Lease liability	(2.3)	(3.3)
Total financial liabilities	(72.6)	(59.7)

Prior year has been restated to remove taxes and social security costs from Trade Payables.

Notes forming part of the Company financial statements continued

16. Financial instruments continued

Fair value hierarchy

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

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

	As at 31 March 2024 £'m	Level 1 £'m	Level 2 £'m	Level 3 £'m
Financial instruments measured or disclosed at fair value				
Loans and advances	62.0			62.0
Financial instruments measured or disclosed at amortised cost				
Interest bearing liabilities[1]	(12.5)	(12.5)		

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

	As at 31 March 2023 £'m	Level 1 £'m	Level 2 £'m	Level 3 £'m
Financial instruments measured or disclosed at fair value				
Loans and advances	63.9	–	–	63.9
Financial instruments measured or disclosed at amortised cost	–	–	–	–
Interest bearing liabilities[1]	(34.9)	(34.9)	–	–

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 3 instruments include loans and advances. The valuation of the asset is not based on observable market data (unobservable inputs). Valuation techniques include net present value and discounted cash flow methods. The assumptions used in such models include benchmark interest rates and borrower risk profile. The objective of the valuation technique is to determine a fair value that reflects the price of the financial instrument that would have been used by two counterparties in an arm's length transaction.

Level 3 Financial Instruments	Year ended 31 March 2024 £'m
Level 3 assets at beginning of the period	63.8
Additional impairment provisions made during the period	(6.8)
Impairment provision utilised in the period	0.2
Level 3 assets that have repaid	(0.7)
Balance movements in level 3 assets	5.5
Level 3 assets at the end of the period	62.0

Notes forming part of the Company financial statements continued

17. Reconciliation of liabilities arising from financing activities

	Interest bearing liabilities £'m	Leases £'m
31 March 2023	(34.9)	(3.3)
Cash flows	22.3	1.4
Lease liability interest	–	(0.3)
31 March 2024	(12.6)	(2.2)
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)

18. Related Party Transactions

The Company has made loans to LendInvest Warehouse Limited to fund a portfolio of loans. During the year to 31 March 2024, the Company made loans of £12.9 million (2023: £4.0 million) and received repayments in respect of loans of £0.2 million (2023: £0.1 million). The balance as at 31 March 2024 was £24.0 million (2023: £11.1 million). These loans are interest-bearing at 8% per annum.

£14.1 million (2023: £21.8 million) of the Company's trade receivables (see note 8) are unsecured intercompany receivables owed by Company's subsidiaries.

The Company also received the following fees from related party subsidiaries;

	Year ended 31 March 2024 £'m	Year ended 31 March 2023 £'m
LendInvest Funds Management Limited	2.4	2.8
LendInvest Capital Management Limited	–	–

19. Controlling party

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

Glossary
Alternative Performance Measures

In the reporting of financial information, the Directors have adopted various alternative performance measures (APMs). APMs should be considered in addition to IFRS measurements. The Directors believe that these APMs assist in providing useful information on the underlying performance of the Group, enhance the comparability of information between reporting periods, and are used internally by the Directors to measure the Group's performance, not necessarily comparable to other entities' APMs.

Platform AuM

The Group defines Platform AuM as the sum of (i) the total amount of outstanding loans and advances (including accrued interest, and gross of impairment provisions and fair value adjustments), as reported on an IFRS basis in the notes to the accounts in the Group's Financial Statements, and (ii) off-balance sheet assets, which represents the total amount of outstanding loans and advances (including accrued interest) that the Group originates but does not hold on its balance sheet, comprising those loans that are held by its off-balance sheet entities. Off-Balance Sheet Assets are not presented net of any impairment provisions relating thereto.

The Directors view Platform AuM as a useful measure because it is used to analyse and evaluate the volume of revenue-generating assets of the platform on an aggregate basis and is therefore helpful for understanding the performance of the business.

The following table provides a reconciliation from the Group's reported gross loans and advances.

Unaudited	Year ended 31 March 2024 (£'m)	Year ended 31 March 2023 (£'m)
Gross Loans and advances	477.0	1,168.5
Off-Balance Sheet Assets	2,306.3	1,418.5
Platform AuM	2,783.3	2,587.0

FuM

The Group defines FuM as the aggregate sum available to the Group under each of its funding lines. The Group's FuM are used to originate revenue generating Platform AuM. The Directors view the difference between the Group's FuM and Platform AuM as the headroom for future growth. A reconciliation from Platform AuM, which has been reconciled to IFRS measures above, to FuM is shown below.

Unaudited	Year ended 31 March 2024 (£'m)	Year ended 31 March 2023 (£'m)
Platform AuM	2,783.3	2,587.0
Committed funding available for lending	1,344.0	1,018.9
FuM	4,127.3	3,605.9

Adjusted EBITDA

The Group defines Adjusted EBITDA as Group profit or loss before finance income, finance expenses, income tax, depreciation and amortisation, and exceptional items. The Directors view Adjusted EBITDA as a useful measure because it is used to analyse the Group's operating profitability, and shows the results of normal core operations exclusive of non-cash changes that the Group considers to be non-recurring and not part of the Group's core day-to-day business. The following table provides a reconciliation from the Group's reported profit for the period to Adjusted EBITDA.

Unaudited	Year ended 31 March 2024 (£'m)	Year ended 31 March 2023 (£'m)
(Loss)/profit after taxation	(20.1)	11.4
Derivative financial instruments and hedge accounting	4.0	(5.1)
Corporation tax	(7.2)	2.9
Depreciation and amortisation	3.2	2.1
Depreciation of right-of-use asset	0.7	0.7
Interest expense – lease liabilities	0.3	0.4
Share-based payment charge	1.3	1.9
Exceptional operating expenses	2.7	–
Adjusted EBITDA	(15.1)	14.3