

# LendInvest Finance No.3 Limited

Annual report and financial statements for the year ended 31 March 2019

Registration number: 09925462

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## **LendInvest Finance No.3 Limited**

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## **LendInvest Finance No.3 Limited**

### **Company information**

<b>Directors</b>	Ian Thomas Christian Faes
<b>Registered office</b>	Two Fitzroy Place 8 Mortimer Street London United Kingdom W1T 3JJ
<b>Auditor</b>	BDO LLP
<b>Bankers</b>	Barclays Bank PLC

## **LendInvest Finance No.3 Limited**

### **Directors' report**

#### **For the year ended 31 March 2019**

The directors present their annual report together with the audited financial statements of LendInvest Finance No.3 Limited (the "Company"), for the year ended 31 March 2019. The directors have taken advantage of the small companies' exemption under section 480 of the Companies Act 2006 in preparing a strategic report.

#### **Principal activity**

The principal activity of the Company was to provide secured lending to third party borrowers.

Revenue for the year was £50,000 (2018: £1.8m).

The Company ceased trading during the year.

#### **Fair review of the business**

The results for the financial year ended 31 March 2019 are set out on pages 8 to 11. The Company reduced its share capital from £5,000,000 to £1 by extinguishing the shares held by its immediate parent company and crediting the amount by which its share capital was reduced to the profit and loss account to increase the distributable reserves. The Company then paid a dividend to its immediate parent company.

#### **Going concern**

As mentioned above, under the Principal activity section, the Company ceased trading during the year and was non trading at the statement of financial position date. The directors intend to re-purpose this legal entity for other trading activities at a later date, and therefore believe it is appropriate to continue to adopt the going concern basis of accounting in preparing the annual financial statements.

#### **Directors**

The directors of the Company who were in office during the year and up to the date of signing of the financial statements, were as follows:

Ian Thomas

Christian Faes

#### **Directors' indemnities**

The Company maintains liability insurance for its directors and officers. The Company has also provided an indemnity for its directors, which is a qualifying third-party indemnity provision for the purposes of the Companies Act 2006.

#### **Disclosure of information to auditor**

Each of the persons who is a director at the date of approval of this report confirms that:

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

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

BDO LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

**LendInvest Finance No.3 Limited**

**Directors' report (continued)**

**For the year ended 31 March 2019**

**Political donations**

No political donations were made during the year (2018: £nil).

**Events after the reporting date**

There were no significant events after the balance sheet date.

Approved by the Board on 18 December 2019 and signed on its behalf by:



.....  
Ian Thomas  
Director

## **LendInvest Finance No.3 Limited**

### **Directors' responsibilities statement**

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including Financial Reporting Standards (FRS) 101 "Reduced Disclosure Framework". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- state whether FRS 101 has been followed, subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

## **Independent auditor's report to the members of LendInvest Finance No.3 Limited**

### **Opinion**

We have audited the financial statements of LendInvest Finance No.3 Limited ("the Company") for the year ended 31 March 2019 which comprise the statement of profit and loss, the statement of other comprehensive income, the statement of financial position, the statement of changes in equity and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 *Reduced Disclosure Framework* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements 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 are independent of the 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## **Independent auditor's report to the members of LendInvest Finance No.3 Limited (continued)**

### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' report has been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' report.

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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; or
- the directors were not entitled to take advantage of the small companies' exemptions in preparing the Directors' report and from the requirement to prepare a Strategic report.

### **Responsibilities of directors**

As explained more fully in the Directors' responsibilities statement, 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 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 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.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.



## **Independent auditor's report to the members of LendInvest Finance No.3 Limited (continued)**

### **Use of our report**

This report is made solely to the 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 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 Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP

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

Date: 19 December 2019

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

## **LendInvest Finance No.3 Limited**

### **Statement of profit and loss For the year ended 31 March 2019**

	<b>Note</b>	<b>2019 £'000</b>	<b>2018 £'000</b>
Revenue	6	50	1,802
Cost of sales		<u>(69)</u>	<u>(1,441)</u>
<b>Gross (loss)/profit</b>		(19)	361
Administrative expenses	7	<u>56</u>	<u>(502)</u>
<b>Profit/(loss) before taxation</b>	10	37	(141)
Tax on profit/(loss)	11	<u>-</u>	<u>-</u>
<b>Profit/(loss) for the financial year</b>		<u><u>37</u></u>	<u><u>(141)</u></u>

There are no items of comprehensive income other than the profit for the year and therefore, no separate statement of comprehensive income is presented.

The notes on pages 12 to 34 form an integral part of these financial statements.

## **LendInvest Finance No.3 Limited**

### **Statement of other comprehensive income For the year ended 31 March 2019**

	<b>Note</b>	<b>2019 £'000</b>	<b>2018 £'000</b>
<b>Profit/(loss) for the year</b>		<u>37</u>	<u>(141)</u>
Fair value gain on loans and advances measured at fair value through other comprehensive income		15	-
Deferred tax charge	11	<u>(3)</u>	<u>-</u>
		<u>12</u>	<u>-</u>
<b>Total comprehensive income/loss for the year</b>		<u><u>49</u></u>	<u><u>(141)</u></u>

The notes on pages 12 to 34 form an integral part of these financial statements.

# LendInvest Finance No.3 Limited

## Statement of financial position As at 31 March 2019

	Note	2019 £'000	2018 £'000
<b>Non-current assets</b>			
Loans and advances	12	-	24,650
<b>Current assets</b>			
Trade and other receivables	13	-	919
Cash and cash equivalents		-	886
		-	1,805
<b>Total assets</b>		-	26,455
<b>Current liabilities</b>			
Trade and other payables	14	-	(1,620)
<b>Non-current liabilities</b>			
Interest bearing liabilities	15	-	(19,971)
<b>Total liabilities</b>		-	(21,591)
<b>Net assets</b>		-	4,864
<b>Equity</b>			
Share capital	16	-	5,000
Capital redemption reserve		99	-
Retained earnings	16	(99)	(136)
<b>Total equity</b>		-	4,864

The notes on pages 12 to 34 form an integral part of these financial statements.

The financial statements of LendInvest Finance No.3 Limited (registration number: 09925462) were approved by the Board of directors and authorised for issue on 18 December 2019

They were signed on its behalf by:



Ian Thomas  
Director

**LendInvest Finance No.3 Limited**

**Statement of changes in equity  
For the year ended 31 March 2019**

	Share capital £'000	Capital redemption reserve £'000	Other reserve £'000	Retained earnings £'000	Total £'000
<b>Balance at 1 April 2017</b>	5,000	-	-	5	5,005
Loss for the year	-	-	-	(141)	(141)
<b>Total comprehensive expense</b>	-	-	-	(141)	(141)
<b>Balance at 31 March 2018</b>	5,000	-	-	(136)	4,864

	Share capital £'000	Capital redemption reserve £'000	Other reserve £'000	Retained earnings £'000	Total £'000
<b>Balance at 31 March 2018</b>	5,000	-	-	(136)	4,864
Restatement	-	-	(12)	-	(12)
<b>Balance at 1 April 2018</b>	5,000	-	(12)	(136)	4,852
Profit for the year	-	-	-	37	37
Other comprehensive income	-	-	12	-	12
<b>Total comprehensive income</b>	-	-	12	37	49
Redemption of shares	(5,000)	5,000	-	-	-
Dividends	-	(4,901)	-	-	(4,901)
<b>Balance at 31 March 2019</b>	-	99	-	(99)	-

The notes on pages 12 to 34 form an integral part of these financial statements.

The £12k restatement is a transitional adjustment on implementation of IFRS 9. See note 3.

## **LendInvest Finance No.3 Limited**

### **Notes to the financial statements For the year ended 31 March 2019**

#### **1 General information**

LendInvest Finance No.3 Limited (the "Company") is a private company limited by share capital which was incorporated on 22 December 2015 in England and Wales and domiciled in the United Kingdom under the Companies Act 2006. The address of its registered office is given on page 1.

The principal activity of the Company was to provide secured lending to third party borrowers.

#### **2 Accounting policies**

##### **Basis of preparation**

The financial statements have been prepared in accordance with Financial Reporting Standard 101. 'Reduced Disclosure Framework' ('FRS 101'). The financial statements have been prepared under the historical cost convention and in accordance with the Companies Act 2006.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise the judgement in the process of applying the Company'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 that are disclosed in note 5.

The Company is a wholly owned subsidiary of LendInvest Limited and is included in its consolidated financial statements which are publicly available, this is disclosed in note 18. Consequently, the Company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 401 of the Companies Act 2006.

##### **Changes in accounting standards and policies**

###### *IFRS 9 - Financial instruments*

The adoption of IFRS 9 has had a material impact on the financial statements of the Company, and this is disclosed further in note 3. As permitted by the transitional provisions of IFRS 9, the Company has chosen not to restate comparative figures. Further details on the impact of IFRS 9 is given in note 3.

###### *IFRS 15 - Revenue from contracts with customers*

IFRS 15 Revenue replaces IAS 18 Revenue and IAS 11 Construction Contracts and is now effective. It applies to all contracts with customers except leases, financial instruments and insurance contracts. IFRS 15 establishes the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. Interest income, which is the main source of revenue for the Company, falls outside the scope of IFRS 15.

IFRS 15 has been applied for the current year ending 31 March 2019. Management have assessed the impact of application on the Company's financial statements which has resulted in no change to the timing of when the Company recognises revenue or when revenue should be recognised gross as principal or net as an agent. Therefore, there are no material changes to the accounting policies or financial statements of the Company and no adjustment to the opening balance of retained earnings as a result of the adoption of IFRS 15.

## **LendInvest Finance No.3 Limited**

### **Notes to the financial statements (continued) For the year ended 31 March 2019**

#### **2 Accounting policies (continued)**

##### **Foreign currencies**

Items included in the financial statements are measured using the currency of the primary economic environment in which they operate (their "functional currency") and are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in profit or loss. These financial statements are presented in pounds sterling, which is the Company's functional currency.

##### **Going concern**

As mentioned in the Directors' report, under the Principal activity section, the Company ceased trading during the year and was non trading at the statement of financial position date. The directors intend to re-purpose this legal entity for other trading activities at a later date, and therefore believe it is appropriate to continue to adopt the going concern basis of accounting in preparing the annual financial statements.

LendInvest Limited prepares publicly available consolidated financial statements in accordance with IFRS. This Company is included in the consolidated financial statements of LendInvest Limited for the period ended 31 March 2019. These accounts are available on the LendInvest website.

##### **Summary of disclosure exemptions**

In preparing these financial statements, the Company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore, these financial statements do not include:

- the requirements of IFRS 15, Revenue from Contract with Customers;
- a statement of cash flows and related notes;
- non-current assets held for sale and discontinued operation net cash flow disclosure;
- the requirements of IAS 24 Related Party Disclosures to disclose related party transactions entered in to between two or more members of the Company as they are wholly owned within the Company;
- presentation of comparative reconciliations for property, plant and equipment, intangible assets, investment properties and agriculture;
- disclosure of key management personnel compensation;
- presentation of comparative reconciliation of the number of shares outstanding at the beginning and at the end of the period;
- the effect of future accounting standards not adopted; and
- fair value measurement disclosures (other than disclosures required as a result of recording financial instruments at fair value).

Where relevant, equivalent disclosures have been given in the group financial statements of LendInvest Limited. The Group's financial statements of LendInvest Limited are available to the public and can be obtained as set out in note 18.

The principal accounting policies adopted are set out below.

## **LendInvest Finance No.3 Limited**

### **Notes to the financial statements (continued) For the year ended 31 March 2019**

#### **2 Accounting policies (continued)**

##### **Cash**

Cash comprises cash on hand and demand deposits which is presented as cash at bank and in hand in the statement of financial position.

##### **Equity and reserves**

Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.

##### **Revenue recognition**

Revenue represents interest and other income from borrowers and for the provision of finance. Revenue recognised on loans held by related and third parties is recognised as follows:

##### *Recognised under IFRS 9:*

- Interest on loans and advances made by the Company are recognised in the statement of profit and loss using the effective interest rate method.
- Origination fee income represents arrangement, valuation, introduction, and other broker fees earned from borrowers which are amortised over the life of the loan or recognised immediately upon sale of the loan.

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

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

The Company considers its provisioning policy in accordance with IFRS 9 - Financial instruments.

##### **Cost of sales**

Cost of sales represents interest expense on interest bearing liabilities which are accounted for under IFRS 9 on an effective interest rate (EIR) basis, inclusive of directly attributable incremental transaction costs and fees including structuring fees, uncommitted fees, and set up costs (legal fees).

##### **Administrative expenses**

Administrative expenses are recognised in the statement of profit and loss in the period in which they are incurred (on an accruals basis).



## **LendInvest Finance No.3 Limited**

### **Notes to the financial statements (continued)**

**For the year ended 31 March 2019**

## **2 Accounting policies (continued)**

### **Current and deferred tax**

The tax expense for the period comprises current 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 initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affect neither accounting nor taxable profit and loss. Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted at the year-end date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax balances are not discounted. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

### **Financial instruments**

The Company adopted IFRS 9 from 1 April 2018 in relation to the treatment of financial instruments.

#### **(i) Classification and measurement**

In accordance with IFRS 9, the Company has classified its financial assets with reference to both the Company's business model for managing the assets and the contractual cash flow characteristics of the assets. The Company's financial assets have been classified into the following categories:

At amortised cost, these are assets for which the business model is to hold the asset and collect the contractual cash flows, and those cash flows are solely payments of principal and interest. This means that cash flows typically occur on pre-determined dates and that interest primarily reflects the time value of money, compensation for credit risk and a profit margin.

The Company has classified the following assets as 'at amortised cost': cash in hand and balances, and trade and other receivables. Assets held at amortised cost are initially recorded at fair value (usually transaction price) plus any directly attributable costs. They are subsequently measured using the effective interest rate method.

At fair value through other comprehensive income (FVOCI), these are categories of assets for which the business model is to hold the asset and collect the contractual cash flows or to sell the assets. The contractual cash flows must be solely payments of principal and interest. The Company holds loans and advances that are considered to meet the definition of the hold or sell business model. They are therefore classified as 'at FVOCI'. These assets are initially recognised at fair value plus any attributable costs. Subsequent changes in fair value are recognised in equity, except for impairment provisions which are recognised in the statement of profit and loss.

#### **(ii) Derecognition of financial assets and liabilities**

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Company has substantially transferred all risks and rewards of ownership. If substantially all risks and rewards have been neither retained nor transferred the assets continue to be recognised to the extent of the Company's continuing involvement. Financial liabilities are derecognised when they are extinguished.

## **LendInvest Finance No.3 Limited**

### **Notes to the financial statements (continued) For the year ended 31 March 2019**

#### **2 Accounting policies (continued)**

##### **Trade receivables**

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

##### **Trade payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

##### **Borrowings**

All borrowings are initially recorded at the amount of proceeds received, net of transaction costs. Borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the income statement over the period of the relevant borrowing.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

##### **Loans and advances**

Loans and advances are written off (either partially or in full) when the prospect of recovery is limited or uncertain. This is generally the case when the primary security has been realised and the Company is unable to reach an agreement with the borrower for immediate or short term repayment of the amounts subject to the write-off. Write-offs constitute a derecognition event as detailed in note 4.2. 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.

##### **Intermediary fees**

Intermediary fees are charged by the ultimate parent, LendInvest Limited, according to the level of support provided across loan servicing, administrative and other support services and profitability of the entities.

##### **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 Company. 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.

## **LendInvest Finance No.3 Limited**

### **Notes to the financial statements (continued) For the year ended 31 March 2019**

#### **3 Impact of adoption of IFRS 9 - Financial instruments**

##### **3.1 Introduction**

IFRS 9 – Financial Instruments was adopted by the Company from 1 April 2018. The standard replaces IAS 39 – Financial Instruments: Recognition and Measurement and has three sections:

Classification and measurement – the standard introduces new categories for the classification and measurement of financial assets. The classification of assets requires an assessment of the Company's business model for managing the assets and of the contractual cash flow characteristics of the assets. This has resulted in some changes to the classification of assets for the Company (see note 3.6) and has had a material impact on carrying values in the statement of financial position at 1 April 2018.

Impairment – under IAS 39, impairment loss provisions were calculated on an incurred loss model, whereby provisions were recognised once an impairment 'trigger' event had been identified. IFRS 9 changes this model to an expected credit loss ("ECL") model which incorporates forward looking information such that when a financial asset is first recognised, an impairment loss allowance is made for the expected losses from defaults over the following 12 months ("12 month ECL"). If, at a later time, the Company determines that there has been a significant increase in the credit risk of the asset, this impairment loss is increased to cover the expected losses over the whole life of the asset ("lifetime ECL"). This change in the calculation of impairment provisions results in earlier recognition of credit losses in the financial statements but does not change the amount of the eventual loss suffered. This change has resulted in an increase in the Company's impairment provisions, as detailed in note 3.8.

Hedge accounting – IFRS 9 alters the rules for the application of hedge accounting, although the rules in relation to portfolio fair value hedges are still under development. The Company does not apply hedge accounting, so this section is not relevant for the current financial period.

The adoption of IFRS 9 resulted in a reduction in equity attributable to shareholders at 1 April 2018 of £TBC, as detailed in note 3.7. As permitted by the standard, the Company does not intend to restate comparative figures in its 2019 statutory accounts.

##### **3.2 Accounting policy - financial instruments**

The new accounting policy adopted by the Company from 1 April 2018 in relation to financial instruments is detailed below:

###### **(i) Classification and measurement**

In accordance with IFRS 9, the Company has classified its financial assets with reference to both the Company's business model for managing the assets and the contractual cash flow characteristics of the assets. The Company's financial assets have been classified into the following categories:

At amortised cost, these are assets for which the business model is to hold the asset and collect the contractual cash flows, and those cash flows are solely payments of principal and interest. This means that cash flows typically occur on pre-determined dates and that interest primarily reflects the time value of money, compensation for credit risk and a profit margin.

## **LendInvest Finance No.3 Limited**

### **Notes to the financial statements (continued) For the year ended 31 March 2019**

#### **3 Impact of adoption of IFRS 9 - Financial instruments (continued)**

##### **3.2 Accounting policy - financial instruments (continued)**

The Company has classified the following assets as 'at amortised cost': cash in hand and balances, and trade and other receivables. Assets held at amortised cost are initially recorded at fair value (usually transaction price) plus any directly attributable costs. They are subsequently measured using the effective interest rate method.

At fair value through other comprehensive income (FVOCI), these are categories of assets for which the business model is to hold the asset and collect the contractual cash flows or to sell the assets. The contractual cash flows must be solely payments of principal and interest. The Company holds loans and advances that are considered to meet the definition of the hold or sell business model. They are therefore classified as 'at FVOCI'. These assets are initially recognised at fair value plus any attributable costs. Subsequent changes in fair value are recognised in equity, except for impairment provisions which are recognised in the statement of profit and loss.

All financial liabilities are classified as 'at amortised cost'. Financial liabilities are initially recorded at their fair value, and those to be measured at amortised cost are subsequently measured using the effective interest rate method.

##### **(ii) Derecognition of financial assets and liabilities**

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Company has substantially transferred all risks and rewards of ownership. If substantially all risks and rewards have been neither retained nor transferred and the entity has retained control of the asset, the assets continue to be recognised to the extent of the Company's continuing involvement. Financial liabilities are derecognised when they are extinguished.

##### **3.3 Accounting policy - impairment of financial assets**

The new accounting policy adopted by the Company from 1 April 2018 in relation to the impairment of financial assets is detailed below:

Impairment provisions are calculated for all financial assets held at amortised cost or at fair value through other comprehensive income. Loss provisions are also held against undrawn loan commitments, where a loan offer has been issued to a customer and remains unexpired but the loan has not yet completed and so has not yet been recognised in the statement of financial position.

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 ECL.

## **LendInvest Finance No.3 Limited**

### **Notes to the financial statements (continued) For the year ended 31 March 2019**

#### **3 Impact of adoption of IFRS 9 - Financial instruments (continued)**

##### **3.3 Accounting policy - impairment of financial assets (continued)**

- Stage 3 – assets where there is objective evidence of impairment, i.e. they are considered to be in default. Impairment provisions are recognised against lifetime ECL. For assets allocated to Stage 3, interest income is recognised on the balance net of impairment provision.
- Purchased or originated credit impaired (“POCI”) – POCI assets are financial assets that are credit impaired on initial recognition. On initial recognition they are recorded at fair value. ECLs are only recognised or released to the extent that there is a subsequent change in the ECLs. Their ECL is always measured on a lifetime basis.

If a loss is ultimately realised, it is written off against the provision previously made. Any subsequent recoveries are recognised directly in the statement of profit and loss as they arise.

##### **Impairment of loans and advances to customers**

The primary driver in determining whether an individual loan has had a significant increase in credit risk is a quantitative assessment of the increase in lifetime PD. At each reporting date, a third party credit score is obtained and a movement of three or more levels downwards is regarded as a significant increase in credit risk and the loan is allocated to Stage 2.

In addition to the above, a number of qualitative criteria have been set such that loans which are considered to have a significantly increased credit risk but would not be captured above are moved to Stage 2. A backstop is also in place such that all loans which are between 21- 30 days past due (depending on which product type they relate to) are moved to Stage 2.

Individual loans are considered to be in default and are allocated to Stage 3 if the loan is more than 60 or 90 days past due (depending on product type), is subject to certain forbearance activities, is in repossession or if the customer has been identified as bankrupt and is in arrears by more than a nominal amount.

The financial instruments will be assessed at each reporting period against the initial credit risk at origination and then classified into the appropriate stage. This can result in instruments improving to stage 1 from period to period if the conditions are such that credit risk is comparable to the risk at origination. If a loan improves to stage 1, the ECL on that loan will be assessed on a 12 month basis rather than a lifetime basis.

ECL is calculated by multiplying loss given default (“LGD”), probability of default (“PD”) and exposure at default (“EAD”). Each element of the calculation is modelled at an individual account level on a monthly basis over the remaining life of the loan, with the first 12 months totalled to obtain the 12 month ECL and the lifetime ECL obtained by totalling the above over the full life of the loan. Modelling assumptions are based on historical data analysis of the impact of economic variables on loan behaviour.

Provisions are assessed on a loan-by-loan basis for stage 3 loans where the underlying loan balance is greater than £500,000 and the loan to value is greater than 75%. Individual Stage 3 ECL on loans and advances to customers are calculated based on an assessment of the expected cash flows and the underlying collateral. All individually assessed loans are reviewed at the Company's Impairment and Modelling Committee.

The overall ECL recorded in the financial statements is calculated as the probability weighted ECL over a range of possible forecasted macroeconomic scenarios. The Company uses 40% / 30% / 30% base case / downside view / upside view to calculate the final ECL provision. The Company is not large enough to have an internal economist so the scenarios are provided by Oxford Economics, a third party forecasting and quantitative analysis provider.

## **LendInvest Finance No.3 Limited**

### **Notes to the financial statements (continued) For the year ended 31 March 2019**

#### **3 Impact of adoption of IFRS 9 - Financial instruments (continued)**

##### **3.4 Accounting policy -interest income and expense**

The new accounting policy adopted by the Company from 1 April 2018 in relation to interest income and expense is detailed below:

Interest income and expense on all financial instruments is recognised in interest receivable or payable in the statement of profit and loss. Interest income, any fees considered an integral part of effective interest rate of the loan and interest expense are calculated using the effective interest rate method for financial assets and liabilities held at amortised cost and at FVOCI.

The effective interest rate method is a method of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts over the expected life of the financial instrument.

Specifically, for loans and advances, the effect of this policy is to spread arrangement, broker and valuation fees, and costs directly attributable and incremental to setting up the loan, over the expected life of the contractual period.

##### **3.5 Critical judgements and accounting estimates**

Wherever possible, the application of the requirements of IFRS 9, in particular in respect of the calculation of impairment loss provisions for loans and advances to customers, has been performed using statistical modelling rather than management judgements or estimates. For the UK residential mortgage portfolio, loss given default ("LGD") and probability of default ("PD") are modelled based on an analysis of how macroeconomic variables have impacted the performance of loans with similar credit risk characteristics historically.

The areas of IFRS 9 which are considered to have required significant management judgements or estimates are detailed below.

##### **(i) Critical judgements and key sensitivity analysis**

**Classification of financial assets**– management judgement was applied to the assessment of whether contractual cash flows are solely payments of principal and interest. Management determined that term extensions and forbearance activity are not contractual so do not impact on the assessment.

**Significant increase in credit risk**– the determination of how significant an increase in lifetime PD should be to trigger a move to Stage 2 for impairment requires significant judgement. Management have adopted a test based approach to derive objective thresholds such that credit deterioration is recognised at the appropriate point.

**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.

## LendInvest Finance No.3 Limited

### Notes to the financial statements (continued) For the year ended 31 March 2019

#### 3 Impact of adoption of IFRS 9 - Financial instruments (continued)

##### 3.5 Critical judgements and accounting estimates (continued)

###### (ii) Accounting estimates

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

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

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

##### 3.6 Changes to classification and measurement of financial instruments

	Measurement category under IAS 39	Measurement category under IFRS 9	Carrying amount under IAS 39 as at 31 March 2018 (restated) £'000	Carrying amount under IFRS 9 as at 1 April 2018 £'000
<b>Financial assets</b>				
Cash and cash equivalents	Amortised Cost	Amortised Cost	886	886
Loans and advances	Amortised Cost	FVOCI	24,650	24,665
Trade and other receivables	Amortised Cost	Amortised Cost	919	919
<b>Total financial assets</b>			<b>26,455</b>	<b>26,470</b>
<b>Liabilities</b>				
Trade and other payables	Amortised Cost	Amortised Cost	(21,591)	(21,591)
Interest bearing liabilities	Amortised Cost	Amortised Cost	-	-
<b>Total financial liabilities</b>			<b>(21,591)</b>	<b>(21,591)</b>

## LendInvest Finance No.3 Limited

### Notes to the financial statements (continued) For the year ended 31 March 2019

#### 3 Impact of adoption of IFRS 9 - Financial instruments (continued)

##### 3.7 Reconciliation of the statement of financial position balances from IAS 39 to IFRS 9

The table below reconciles the carrying amounts of financial assets and liabilities under IAS 39 to those under IFRS 9 on initial adoption of IFRS 9 at 1 April 2018:

	Under IAS 39 as at 31 March 2018	(i) Reclassification	(ii) Remeasurement	(iii) Remeasurement	Under IFRS 9 as at 1 April 2018
	£'000	£'000	£'000	£'000	£'000
<b>Assets</b>					
<i>At amortised cost</i>					
Cash and cash equivalent	886	-	-	-	886
Loans and advances	24,650	(24,650)	-	-	-
Trade and other receivables	919	-	-	-	919
Deferred tax	-	-	-	(3)	(3)
<i>At fair value through other comprehensive income</i>					
Loans and advances	-	24,650	-	15	24,665
<b>Liabilities</b>					
<i>At amortised cost</i>					
Trade and other payables	(21,591)	-	-	-	(21,591)
Interest bearing liabilities	-	-	-	-	-
Deferred tax	-	-	-	-	-
<b>Equity (extract)</b>					
Retained earnings	-	-	-	-	-
Fair value reserve	-	-	-	12	12



## LendInvest Finance No.3 Limited

### Notes to the financial statements (continued) For the year ended 31 March 2019

#### 3 Impact of adoption of IFRS 9 - Financial instruments (continued)

##### 3.7 Reconciliation of the statement of financial position balances from IAS 39 to IFRS 9 (continued)

The changes to carrying values arise due to the following adjustments:

- (i) £25m of loans and advances reclassified from amortised cost to FVOCI.
- (ii) Impairment provisions remeasured to be calculated on an ECL basis under IFRS 9 and associated tax impact.
- (iii) Fair value remeasurement due to reclassification and associated tax impact to FVOCI.

##### 3.8 Reconciliation of impairment provisions from IAS 39 to IFRS 9

The table below explains the movements in impairment provisions from those calculated on an incurred loss model under IAS 39 at 31 March 2018 to those calculated on an expected credit loss model under IFRS 9 on initial adoption of IFRS 9 at 1 April 2018. No movement in impairment arises due to changes in measurement category.

Transition adjustments	On gross loans and advances	On impairment provision	On remeasurement to fair value through OCI	On loans and advances
	£'000	£'000	£'000	£'000
<b>Under IAS 39 at 31 March 2018</b>	<b>24,666</b>	<b>(16)</b>	<b>-</b>	<b>24,650</b>
(i) ECL on assets not individually impaired under IAS 39	-	-	-	-
(ii) Transition adjustment to fair value measurement	-	-	15	15
<b>Under IFRS 9 as at 1 April 2018</b>	<b>24,666</b>	<b>(16)</b>	<b>15</b>	<b>24,665</b>

- (i) This relates to loans which were not previously individually impaired under IAS 39. The different methodology for calculating impairment provisions under IFRS 9 (ECL) compared to IAS 39 (incurred loss), such as the use of multiple economic scenarios, results in increased provisions being recorded against these accounts.

- (ii) The fair value of loans and advances was assessed at 1 April 2018.

## LendInvest Finance No.3 Limited

### Notes to the financial statements (continued) For the year ended 31 March 2019

#### 3 Impact of adoption of IFRS 9 - Financial instruments (continued)

##### 3.9 Analysis of financial assets by stage

The table below analyses loans and advances to customers and associated ECL by stage on initial adoption of IFRS 9 at 1 April 2018:

	Stage 1	Stage 2	Stage 3	Total
	£'000	£'000	£'000	£'000
Gross loans and advances	19,717	4,819	130	24,666
ECL provision	(8)	(2)	(6)	(16)
Fair value adjustment	15	1	(1)	15
<b>Loans and advances</b>	<b>19,724</b>	<b>4,818</b>	<b>123</b>	<b>24,665</b>

#### 4 Financial risk management

The Board has the overall responsibility for the establishment and oversight of the Company's risk management framework. The risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and ensure any limits are adhered to. The Company's activities are reviewed regularly and potential risks are considered. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the business's competitiveness and flexibility.

The Company has exposure to the following risks from its use of financial instruments: credit risk, liquidity risk and market risk:

##### *Credit risk management*

Credit risk is the risk that the Company's loans and advances are subject to borrower default. It arises principally from the Company's receivables from customers and cash and cash equivalents held at banks. The Company's maximum exposure to credit risk by class of financial asset is as follows:

	31 March 2019	31 March 2018
Assets	£'000	£'000
Gross loans and advances	-	24,666
Trade and other receivables	-	919
Cash and cash equivalents	-	886
	<b>-</b>	<b>26,471</b>

## LendInvest Finance No.3 Limited

### Notes to the financial statements (continued) For the year ended 31 March 2019

#### 4 Financial risk management (continued)

Credit risk management lies at the core of the business and with the implementation of IFRS 9, the Company has continued to develop its strong credit risk management framework which includes:

- a clearly defined credit risk policy;
- the continued recruitment of specialist skills in credit underwriting;
- a Credit Committee which meets monthly; and
- an Impairment & Modelling Committee - specifically formed for the governance of IFRS 9 - which meets quarterly;

The fair value of cash and cash equivalents at 31 March 2019 approximates the carrying value. Credit risk relating to cash and cash equivalents is mitigated as cash and cash equivalents are held with reputable institutions.

The risk of movements in the price of the underlying collateral secured by the Company against loans to borrowers is actively managed by the Company. Security over the property is registered with the Land Registry, and only properties within England, Scotland and Wales are suitable for security. Loans are capped at 75% of the open market value of the property against which security is held, and minimum loan period interest is retained on completion. As a result, the Company has limited exposure to collateral price risk.

#### *Liquidity risk management*

There is a 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 they fall 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 directors and management.

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

	Carrying amount	Gross nominal inflow/ (outflow)	Amount due within one year	Amount due post one year
As at 31 March 2019	£'000	£'000	£'000	£'000
<b>Financial assets</b>				
Cash and cash equivalents	-	-	-	-
Trade and other receivables	-	-	-	-
Net loans and advances	-	-	-	-
<b>Financial liabilities</b>				
Trade and other payables	-	-	-	-
Interest bearing liabilities	-	-	-	-

## **LendInvest Finance No.3 Limited**

### **Notes to the financial statements (continued) For the year ended 31 March 2019**

#### **4 Financial risk management (continued)**

##### *Interest rate risk management*

This is a risk to earnings or capital arising from the adverse movements of interest rates. The Company monitors exposure to repricing risk through an interest rate gap report and attempts to match the repricing characteristics of its assets with its liabilities naturally where it can.

##### *Capital management*

The Company considers its capital to comprise of its equity share capital plus retained profits. The Company's objectives when maintaining capital are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns to bondholders and shareholders. The Company sets the amount of capital it requires in proportion to risk. The Company manages its capital structure and adjusts to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

#### **5 Critical judgements in applying the Company's accounting policies**

The preparation of financial statements in accordance with FRS 101 requires the use of estimates. It also requires management to exercise judgement in applying the accounting policies. In the view of the directors, there are no significant judgements or estimates other than the accounting policies of the business.

##### ***Critical judgements in applying the Company's accounting policies***

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

##### *Loan provisioning*

The Company provides for the expected credit losses in accordance with IFRS 9 (see note 3).

##### *Fair value measurement*

A number of assets and liabilities included in the Company's financial statements require disclosure of fair value. The fair value measurement of the Company'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).

## **LendInvest Finance No.3 Limited**

### **Notes to the financial statements (continued) For the year ended 31 March 2019**

#### **6 Revenue**

Total revenue, analysed by category, is as follows:

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Fees and other income	4	-
Interest income	46	1,802
	<u>50</u>	<u>1,802</u>

Revenue has been derived from the principal activities wholly undertaken in the United Kingdom.

#### **7 Administrative expenses**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Intermediary fees	-	466
Unrecoverable costs	(40)	-
Bad debt expense	(16)	16
Professional fees	-	20
	<u>(56)</u>	<u>502</u>

In the year, the intra-group balance that the Company owed to its immediate parent company, LendInvest Warehouse Limited was forgiven and written off to unrecoverable costs.

#### **8 Staff costs**

The Company had no employees during the year (2018: nil).

#### **9 Auditor's remuneration**

	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Audit of the financial statements	<u>5</u>	<u>5</u>

All fees payable to the Company's auditor for audit services of £5,000 in the current year (2018: £5,000) are borne by LendInvest Limited and disclosed in note 7 of the financial statements of the LendInvest Limited Group.

## **LendInvest Finance No.3 Limited**

### **Notes to the financial statements (continued) For the year ended 31 March 2019**

#### **10 Loss before tax**

Audit fees and auditors' remuneration for other services are paid by the Company's ultimate parent company, LendInvest Limited.

#### **Key management personnel compensation**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. Key management is defined as the directors of the Company listed on page 1. The remuneration of the key management personnel for the period and prior period was borne by the parent company, LendInvest Limited.

#### **Directors' remuneration**

The remuneration of the directors for the period and prior period was borne by the parent company, LendInvest Limited.

#### **11 Tax on profit**

Tax charged for the year in the profit and loss account:

	<b>2019 £'000</b>	<b>2018 £'000</b>
<b>Current taxation</b>		
UK corporation tax	-	-
UK corporation tax adjustment to prior periods	-	-
Total current income tax	-	-

Tax related to items charged or credited to other comprehensive income:

	<b>2019 £'000</b>	<b>2018 £'000</b>
Other comprehensive income movements	3	-
<b>Tax credit in the statement of other comprehensive income</b>	<b>3</b>	<b>-</b>

The tax on profit before tax for the year is the same as the standard rate of corporation tax in the UK (2018: the same as the standard rate of corporation tax in the UK) of 19% (2018: 19%).

## **LendInvest Finance No.3 Limited**

### **Notes to the financial statements (continued) For the year ended 31 March 2019**

#### **11 Tax on profit (continued)**

The charge for the year can be reconciled to the profit/(loss) in the profit and loss account as follows:

	<b>2019 £'000</b>	<b>2018 £'000</b>
Profit/(loss) before tax	<u>37</u>	<u>(141)</u>
Corporation tax at standard rate	7	(27)
Losses surrendered for group relief	<u>(7)</u>	<u>27</u>
Tax expense/(credit) for the year	<u>-</u>	<u>-</u>

#### **Factors that may affect future tax charges**

The UK corporation tax rate reduced from 21% to 20% from 1 April 2015. Finance (No. 2) Act 2015 provided for further reductions to the UK corporation tax rate to 19% and 18% effective from 1 April 2017 and 1 April 2020 respectively. In the Finance bill 2016, the Chancellor of the Exchequer announced an additional 1% reduction in the main rate of UK corporation tax to 17% with effect from 1 April 2020. The Finance Bill 2016 had been substantively enacted at the balance sheet date.

#### **12 Loans and advances**

	<b>As at 31 March 2019 £'000</b>	<b>As at 31 March 2018 £'000</b>
Gross loans and advances	-	24,666
Impairment provision	-	(16)
ECL provision - 1	-	-
Fair value adjustment - 2	<u>-</u>	<u>-</u>
<b>Loans and advances</b>	<u>-</u>	<u>24,650</u>

1. The Company adopted IFRS 9 - Financial Instruments with effect from 1 April 2018 and the impact of adoption is set out in note 3. Impairment provisions are calculated under IAS 39 for 31 March 2018 and IFRS 9 for 31 March 2019.
2. Fair value adjustment to gross loans and advances due to classification as FVOCI.

## LendInvest Finance No.3 Limited

### Notes to the financial statements (continued) For the year ended 31 March 2019

#### 12 Loans and advances (continued)

##### *ECL Provision*

<b>Movement in the period</b>	<b>£'000</b>
Under IFRS 9 at 1 April 2018	(16)
Additional provisions made during the period	16
Utilised in the period	-
<b>Under IFRS 9 at 31 March 2019</b>	<b>-</b>

Loans that are written off can still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due. The contractual amount outstanding on loans and advances that were written off during the reporting period and are still subject to enforcement activity is nil.

##### *Analysis of loans and advances by stage*

The entity held no loans at the year-end.

##### *Movement analysis of loans by stage*

	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>As at 1 April 2018</b>	<b>19,724</b>	<b>4,818</b>	<b>124</b>	<b>24,666</b>
Transfer to stage 1	-	-	-	-
Transfer to stage 2	(692)	692	-	-
Transfer to stage 3	(3,994)	(305)	4,299	-
New financial assets originated in FY19	-	-	-	-
Financial assets originated in FY19 transferred to stage 2 & stage 3	-	-	-	-
Financial assets which have repaid	(15,038)	(4,513)	(124)	(19,675)
Balance movements in loans	-	(692)	(4,299)	(4,991)
Write-offs	-	-	-	-
<b>Total movement in loans &amp; advances</b>	<b>(19,724)</b>	<b>(4,818)</b>	<b>(124)</b>	<b>(24,666)</b>
<b>As at 31 March 2019</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>



## LendInvest Finance No.3 Limited

### Notes to the financial statements (continued)

For the year ended 31 March 2019

#### 12 Loans and advances (continued)

##### *Movement analysis of ECL by stage*

	Stage 1	Stage 2	Stage 3	Total
	£'000	£'000	£'000	£'000
As at 31 March 2018	-	-	16	16
Impact of adopting IFRS 9	7	2	(9)	-
<b>Restated balance as at 1 April 2018</b>	<b>7</b>	<b>2</b>	<b>7</b>	<b>16</b>
	-	-	-	-
Transfer to stage 1	-	-	-	-
Transfer to stage 2	-	-	-	-
Transfer to stage 3	(2)	-	2	-
New financial assets originated FY19	-	-	-	-
Financial assets originated in FY19 transferred to stage 2 & stage 3	-	-	-	-
Financial assets which have repaid	(5)	(2)	(7)	(14)
Changes in models / risk parameters	-	-	(2)	(2)
Adjustments for interest on impaired loans	-	-	-	-
Write-offs	-	-	-	-
<b>Total movement in impairment provision</b>	<b>(7)</b>	<b>(2)</b>	<b>(7)</b>	<b>(16)</b>
<b>As at 31 March 2019</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The Company held no POCI loans during the year to 31 March 2019.

## LendInvest Finance No.3 Limited

### Notes to the financial statements (continued) For the year ended 31 March 2019

#### 12 Loans and advances (continued)

##### *Credit risk on gross loans and advances*

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

	Stage 1	Stage 2	Stage 3	Total
	£'000	£'000	£'000	£'000
Risk Grades 1 – 5	-	-	-	-
Risk Grades 6 - 10	-	-	-	-
Risk Grades 11 -15	-	-	-	-
Default	-	-	-	-
<b>Total</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

#### 13 Trade and other receivables

	2019 £'000	2018 £'000
Trade receivables	<u>-</u>	<u>919</u>

#### 14 Trade and other payables

	2019 £'000	2018 £'000
Accrued expenses and deferred income	-	40
Amounts due to group undertakings	-	1,311
Other payables	<u>-</u>	<u>269</u>
	<u>-</u>	<u>1,620</u>

The amounts owed to group undertakings were unsecured, interest free and payable on demand.

#### 15 Interest bearing liabilities

	As at 31 March 2019 £'000	As at 31 March 2018 £'000
Interest bearing liabilities due after one year but less than five years	-	20,000
Funding line costs	<u>-</u>	<u>(29)</u>
	<u>-</u>	<u>19,971</u>

## LendInvest Finance No.3 Limited

### Notes to the financial statements (continued) For the year ended 31 March 2019

#### 15 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 debt issue costs but including accrued interest relating to the Company's third-party indebtedness. A reconciliation of net debt is:

	As at 31 March 2019	As at 31 March 2018
	£'000	£'000
Interest bearing liabilities	-	19,971
Deduct: cash as reported in financial statements	-	(886)
<b>Net debt: borrowings less cash</b>	<b>-</b>	<b>19,085</b>
Add back: unamortised funding line costs	-	-
Add: accrued interest expense	-	40
<b>Net debt</b>	<b>-</b>	<b>19,125</b>

#### 16 Share capital

##### Allotted, called up and fully paid shares

	2019 No.	2019 £'000	2018 No.	2018 £'000
Issued ordinary shares of £1 each	1	-	5,000,000	5,000

The Company has one class of ordinary shares which carry no right to fixed income.

The Company reduced its share capital from £5,000,000 to £1 by extinguishing the share held by its immediate parent company and crediting the amount by which its share capital was reduced to the profit and loss account to increase the distributable reserves.

##### Capital management

The Company considers its capital to comprise of its equity share capital plus its accumulated retained profits.

The Company's objectives when maintaining capital are:

- to safeguard the entity'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 Company sets the amount of capital it requires in proportion to risk. The Company manages its capital structure and adjusts it in the light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may adjust the number of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

## **LendInvest Finance No.3 Limited**

### **Notes to the financial statements (continued) For the year ended 31 March 2019**

#### **16 Share capital (continued)**

The Company's other reserves are as follows:

##### *Retained earnings:*

The retained earnings reserves represents cumulative profits or losses, net of dividends and other adjustments.

#### **17 Related party disclosures**

##### *Transactions with Companies*

As permitted by FRS 101 related party transactions with wholly owned members of the LendInvest Limited Group have not been disclosed.

#### **18 Ultimate parent company and control**

The Company is controlled by its immediate parent company LendInvest Loan Holdings Limited, a company incorporated in England and Wales. LendInvest Loan Holdings Limited, is a wholly owned subsidiary of LendInvest Limited.

#### **19 Events after the reporting date**

There were no significant events after the balance sheet date.