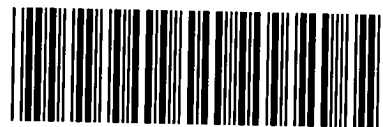


# LendInvest Finance No.3 Limited

Annual report and financial statements for the year ended 31 March 2021

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>	Christian Faes (Resigned on 27 July 2021) Ian Thomas Roderick Lockhart (Appointed on 27 July 2021) Michael Evans (Appointed on 27 July 2021)
<b>Registered office</b>	8 Mortimer Street London United Kingdom W1T 3JJ
<b>Auditor</b>	BDO LLP 55 Baker Street Marylebone London W1U 7EU
<b>Bankers</b>	Barclays Bank PLC

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

### **Directors' report**

#### **For the year ended 31 March 2021**

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 2021. 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 directors intend to re-purpose this legal entity for other trading activities at a future date.

Revenue for the year was £Nil (2020: £Nil).

The Company ceased trading during the financial year ended 31 March 2019.

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

The results for the financial year ended 31 March 2021 are set out on pages 8 to 11. In the financial year ending 31 March 2020, 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. In the current financial year, no further changes were made.

#### **Going concern**

The directors believe and have reasonable expectations that the Company has adequate resources, both financial and non-financial, to continue its operational activities for the foreseeable future. Therefore, the Company continues to adopt the going concern basis of accounting in preparing the annual financial statement.

The Company did not receive revenue during the year. The directors believe the Company remains key to the continuing activities of the Group and will be revenue generating in future financial periods.

#### **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

#### **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.

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

### **Directors' report (continued) For the year ended 31 March 2021**

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.

#### **Political donations**

No political donations were made during the year (2020: £nil).

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

There are no events after the reporting date that require adjustments to or disclosures in the financial statements.

Approved by the Board on 14 December 2021 and signed on its behalf by:



Michael Evans  
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 MEMBERS OF LENDINVEST FINANCE NO.3 LIMITED**

### **Opinion on the financial statements**

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2021 and of its results for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice in conformity with the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of LendInvest Finance No.3 Limited ("the Company") for the year ended 31 March 2021 which comprise the Statement of profit and loss and other comprehensive income, Statement of financial position and Statement of changes in equity, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

### **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 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.

### **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.

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 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.

### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the Directors' report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

## **INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF LENDINVEST FINANCE NO.3 LIMITED (CONTINUED)**

### **Other information (continued)**

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.

### **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.

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 Director's Responsibilities Statement, 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.



**INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF LENDINVEST FINANCE NO.3 LIMITED (CONTINUED)**  
**Auditor's responsibilities for the audit of the financial statements (continued)**

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

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


- our responses to significant audit risks were intended to sufficiently address the risk of fraudulent manipulation. In particular, we have reviewed accounting estimates for any potential management bias to check the methods utilised are appropriate;
- enquiries of management;
- review of minutes of board meetings throughout the period;
- obtaining an understanding of the legal and regulatory framework applicable to the Group's operations; and
- obtaining an understanding of the control environment in monitoring compliance with laws and regulations.

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: <https://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 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.

DocuSigned by:  
  
0314088927C364B1  
Ariel Grosberg (Senior Statutory Auditor)  
For and on behalf of BDO LLP, statutory auditor  
London, UK  
15 December 2021

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 2021**

	<b>Note</b>	<b>2021 £'000</b>	<b>2020 £'000</b>
Revenue	5	-	-
Cost of sales		<u>-</u>	<u>-</u>
<b>Gross result</b>		-	-
Administrative expenses	6	<u>-</u>	<u>-</u>
<b>Result before taxation</b>	9	-	-
Tax on result	10	<u>-</u>	<u>-</u>
<b>Result for the financial year</b>		<u><u>-</u></u>	<u><u>-</u></u>

There are no items of comprehensive income other than the result for the year.

The notes on pages 12 to 22 form an integral part of these financial statements.

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

### **Statement of other comprehensive income For the year ended 31 March 2021**

	<b>Note</b>	<b>2021 £'000</b>	<b>2020 £'000</b>
<b>Result for the year</b>		-	-
Fair value gain on loans and advances measured at fair value through other comprehensive income		-	-
Deferred tax charge	10	-	-
		-	-
<b>Total comprehensive result for the year</b>		-	-

The notes on pages 12 to 22 form an integral part of these financial statements.

## LendInvest Finance No.3 Limited

### Statement of financial position

As at 31 March 2021

	Note	2021 £'000	2020 £'000
<b>Equity</b>			
Share capital	11	-	-
Capital redemption reserve		99	99
Accumulated result	12	<u>(99)</u>	<u>(99)</u>
<b>Total equity</b>		<u>-</u>	<u>-</u>

The notes on pages 12 to 22 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 14 December 2021.

They were signed on its behalf by:



Michael Evans  
Director

**LendInvest Finance No.3 Limited**

**Statement of changes in equity  
For the year ended 31 March 2021**

	Share capital £'000	Capital redemption reserve £ 000	Other reserve £'000	Accumulated result £'000	Total £'000
Balance at 1 April 2020	-	99	-	(99)	-
Result for the year	-	-	-	-	-
Total comprehensive result	-	-	-	-	-
Balance at 31 March 2020	-	99	-	(99)	-
Balance at 1 April 2020	-	99	-	(99)	-
Result for the year	-	-	-	-	-
Total comprehensive result	-	-	-	-	-
Balance at 31 March 2021	-	99	-	(99)	-

The notes on pages 12 to 22 form an integral part of these financial statements.

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

### **Notes to the financial statements For the year ended 31 March 2021**

#### **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 4.

The Company is a wholly owned subsidiary of LendInvest plc (Previously known as LendInvest Limited) and is included in its consolidated financial statements which are publicly available, this is disclosed in note 13. 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 16 – Leases*

On 1 April 2019, the Company adopted the requirements of IFRS 16. The new standard replaces IAS 17 'Leases' and related interpretations. The standard applies to all leasing arrangements and sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessor and lessee accounting.

The Company does not hold any leases and as such, the financial statements have not been impacted by these changes and no transitional changes have been applied.

##### **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 directors intend to re-purpose this legal entity for other trading activities in the future, and therefore believe it is appropriate to continue to adopt the going concern basis of accounting in preparing the annual financial statements.

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

### **Notes to the financial statements (continued) For the year ended 31 March 2021**

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

##### **Parent company**

The Company is a wholly owned subsidiary of LendInvest Warehouse Limited a company incorporated in the United Kingdom and registered in England and Wales. LendInvest Warehouse Limited is a wholly owned subsidiary of LendInvest plc (Previously known as LendInvest Limited) a company incorporated in the United Kingdom and registered in England and Wales. The directors regard LendInvest Limited as the ultimate parent company. The directors do not believe there to be an ultimate controlling party of the Company.

LendInvest plc (Previously known as LendInvest Limited) prepares publicly available consolidated financial statements in accordance with IFRS. This Company is included in the consolidated financial statements of LendInvest plc (Previously known as LendInvest Limited) for the period ended 31 March 2021. 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;
- 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 plc (Previously known as LendInvest Limited). The Group's financial statements of LendInvest plc (Previously known as LendInvest Limited) are available to the public and can be obtained as set out in note 13.

The principal accounting policies adopted are set out below.

##### **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.

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

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

#### **For the year ended 31 March 2021**

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

### **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**

(i) 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).

### **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.



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

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

**For the year ended 31 March 2021**

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

##### **Financial instruments**

The Company adopted IFRS 9 from 1 April 2018 in relation to the treatment of financial instruments and as per note 20 in the Group accounts.

##### **(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 2021**

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

### **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 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 plc (Previously known as 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 2021**

#### **3 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 had no exposure to credit risk.

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 2021 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.

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

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

#### **For the year ended 31 March 2021**

### **3 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.

### **4 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.

#### *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 2021**

#### **5 Revenue**

Total revenue, analysed by category, is as follows:

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Fees and other income	-	-
Interest income	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

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

#### **6 Administrative expenses**

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Intermediary fees	-	-
Unrecoverable costs	-	-
Bad debt expense	-	-
Professional fees	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

#### **7 Staff costs**

The Company had no employees during the year (2020: nil).

#### **8 Auditor's remuneration**

	<b>2021</b>	<b>2020</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 (2020: £5,000) are borne by LendInvest plc (Previously known as LendInvest Limited) and disclosed in note 8 of the financial statements of the LendInvest plc (Previously known as LendInvest Limited) Group.

## LendInvest Finance No.3 Limited

### Notes to the financial statements (continued)

#### For the year ended 31 March 2021

#### 9 Result before tax

Audit fees and auditors' remuneration for other services are paid by the Company's ultimate parent company, LendInvest plc (Previously known as 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 plc (Previously known as LendInvest Limited).

##### Directors' remuneration

The remuneration of the Directors for the period and prior period was borne by the parent company, LendInvest plc (Previously known as LendInvest Limited).

#### 10 Tax on result

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

	2021 £'000	2020 £'000
<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:		
	2021 £'000	2020 £'000
Other comprehensive income movements	-	-
<b>Tax credit in the statement of other comprehensive income</b>	-	-

The tax on result before tax for the year is the same as the standard rate of corporation tax in the UK (2020: the same as the standard rate of corporation tax in the UK) of 19% (2020: 19%).

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

## LendInvest Finance No.3 Limited

### Notes to the financial statements (continued) For the year ended 31 March 2021

#### 10 Tax on result (continued)

	2021 £'000	2020 £'000
Result before tax	-	-
Corporation tax at standard rate	-	-
Result surrendered for group relief	-	-
Tax expense for the year	-	-

#### Factors that may affect future tax charges

The reduction to the UK corporation tax rate from 19% to 17% (originally to be effective 1 April 2020) has now been reversed and the reversal was substantively enacted on 17 March 2020. In March 2021, it was announced in Budget 2021 that the main rate of UK corporation tax will rise to 25% from 1 April 2023. Since the proposal to increase the rate to 25% had not been substantively enacted at the balance sheet date, its effects are not included in these financial statements.

#### 11 Share capital

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

	2021 No.	2021 £'000	2020 No.	2020 £'000
Issued ordinary shares of £1 each	1	-	1	-

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

In the Financial year ending 31 March 2021, the Company reduced its share capital from £5,000,000 to £1 in 2019 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. In the current financial year, there were no further changes.

##### Capital management

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

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 2021**

#### **12 Reserves (continued)**

The Company's other reserves are as follows:

*Accumulated results:*

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

#### **13 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 plc (Previously known as LendInvest Limited). Group accounts can be accessed from <https://www.lendinvest.com/media-centre/reports/>.

#### **14 Events after the reporting date**

There were no significant events after the balance sheet date.